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NEWS SUMMARY

GENERAL

Warning on £700m defence deficit

Britain's defence budget is likely to be overspent by at least £700m in the current financial year, the House of Commons Select Committee on Defence heard.

There are to be cuts in fuel supplies and spare parts to the armed services in Britain and Germany.

The Ministry's cash limit is to be increased by more than £300m, but further corrective measures will be sought. Page 9

Blackout misery

Almost 35,000 homes were still blacked out in the West Country and Wales, three days after gales and snow disrupted power supplies. Flood disaster fund, Page 31

Prison warning

The Home Office warned prison governors they could be disciplined if they wrote to the Press about policies or decisions affecting jails.

'Life' for bombers

Three Ulster Defence Association members who killed two children with a car bomb were jailed for life in Belfast.

Beirut blast toll

The death toll in the Iraqi embassy bomb explosion in Beirut rose to 30. About 95 were injured.

Playing it safe

President Reagan will light Washington's Christmas tree from the safety of the White House, abandoning the traditional outdoor ceremony because of assassination threats.

'Gun' Bill

Replica guns like that fired at the Queen last summer may soon be outlawed if a Tory Private Members' Bill succeeds.

Blaze victims

Two toddlers and a man died in an Edinburgh flat fire. A second man jumped 35 ft to safety.

Killer fumes

Police said the solid fuel heating system was being investigated in the Kirkcaldy, Fife, house in which four died of carbon monoxide poisoning.

Batterer jailed

A Cannock man who battered his baby son, fracturing 12 ribs, breaking both legs and rupturing his stomach, was jailed for five years at Stafford.

Action on equality

Christiana Bank, one of Norway's three biggest commercial banks, plans a three-year positive action programme to promote women to senior management.

The quiet hero

Victor Kugler, who hid Anne Frank and other Dutch Jews from the Nazis, died in Toronto, aged 81.

£13m. phone bill

Zaire promised to pay Belgium a £13.75m phone bill it has owed for 12 years.

Joint gift

Farmers and butchers at Smithfield, London, presented 50 children's homes with more than half a ton of meat for Christmas.

Briefly . . .

Rhinoceros, feared extinct in Borneo, has been discovered there.

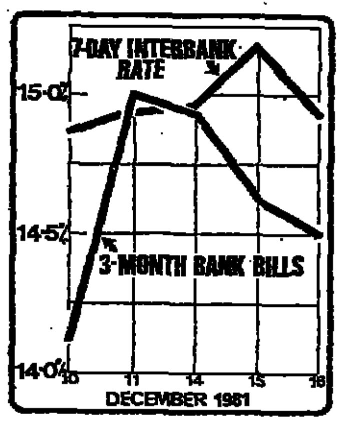
New "London Taxi" was put on show at the Department of Transport. Picture, Page 6

ITN reporter Jon Snow received the Valiant for Truth Media Award.

BUSINESS

Interest rates ease; Gilts up

● INTEREST rates eased in London, relieving immediate pressure on bank base rates.



The seven-day inter-bank rate fell from 15⅛ per cent to 14⅛. Page 26

● STERLING fell 20 points on the day to close in London at \$1.88725. It rose to DM 4.2975 (DM 4.27) and FFr 10.87 (FFr 10.785), but fell to SwFr 3.4475 (SwFr 3.455). Its trade-weighted index rose to 90.2 (89.9). Page 26

● DOLLAR rose to DM 2.277 (DM 2.265), to FFr 5.7625 (FFr 5.7325), and to Y218.1 (Y217.4). It fell to SwFr 1.8275 (SwFr 1.8335). Its trade-weighted index was 107.2 (107.3). Page 26

● GOLD rose \$2 in London to \$416.5. In New York the Comex December close was \$422.5. Page 26

● EQUITIES: the FT 30-share index closed 7.1 up at 520.6. Page 32

● GILTS: the Government Securities Index gained 0.31 to 62.81. Page 32

● WALL STREET was down 5.52 at 870.43 near the close. Page 27

Nigeria to block £2.3bn imports

● NIGERIA announced restrictions to delay or discourage imports worth about £2.3bn, including trade worth £300m to Britain. Back Page

● CZECHOSLOVAKIA is likely to boost its gold reserves by about \$250m (£132m) in the new year following resolution of a 30-year East-West dispute. Back Page

● BRITISH DEFENCE Systems (BDS), a computing companies consortium, led by CAP Group, and including ICL, has been formed to bid for a £1bn contract to build an electronic surveillance and communications system to link Nato's air defences. Page 7

● WAGES AND SALARIES increased at an annual rate of about 4 per cent per unit of output in the summer, much less than the rate of price or wage inflation. Back Page

● MARCONI Space and Defence Systems has won a contract worth more than £500m for development and initial production of a heavyweight torpedo for Royal Navy submarines.

● POST OFFICE made a profit of £12m in its first six months to the end of September, compared with a loss of £27m. Back Page

● M. L. DOXFORD, the London commodity brokers, has gone into creditors voluntary liquidation with an estimated deficiency of £2.857m; 494 clients are owed £1.133m. Page 6

● BEREC, the Ever Ready battery group, recommended shareholders to accept a takeover offer from Hanson Trust, the international holding company. Back Page

● REA BROTHERS, the smallest City accepting house, is raising £1.4m through a one for nine rights issue. It is the first publicly quoted house to have a rights issue since mid-1973. Page 20, Lex Back Page

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES				
Fodg 6½pc '85-87	£74½	+ ½	Plessey	345 + 10
Treas 11½pc '01-04	£78⅝	+ ⅜	Sidlaw	190 + 8
Bestobell	320	+ 15	Tilling (T.)	144 + 7
BET Dfd	138	+ 9	Claremont Pet	76 + 9
Daejan	162	+ 6	IC Gas	210 + 8
Fisons	145	+ 10	Assam Trading B.	77 + 5
GEC	805	+ 15	McLeod Russel	373 + 11
Gordon and Gotch	147	+ 7	Rightwise	155 + 22
Henlys	95	+ 14	Gopeng Cons	600 + 25
London Shop Prop	138	+ 9	Hampton Areas	168 + 6
Mothercare	175	+ 7	Santos	380 + 10
P & O Dfd	125	+ 7	FALLS	
			Elson and Robbins	17 − 3

Thousands detained during repression in Poland

THE POLISH military Government used "irresistible" force—armed soldiers and heavy armoured vehicles—to crush protest strikes in several key industrial towns this week.

At least 14,000 Solidarity trade union members and intellectuals have been arrested, according to a pooled dispatch which reached London from British correspondents in Warsaw last night.

Last Sunday, after martial law was declared, 13,000 workers locked themselves in the Lenin shipyards in Gdansk, the birthplace of Solidarity.

Mr Lech Walesa, the union's leader, had been among the first to be interned by the new military authorities. In his absence at the shipyard, Mr Miroslaw Krupinski, a leading moderate in the Solidarity movement, called for an immediate strike and demanded that the state of emergency should be lifted and detainees freed.

Meanwhile, Mr Walesa's wife appealed for protesters to wait until her husband, who is held in isolation in a government villa outside Warsaw, could provide them with guidance.

Following a broadcast by the management over the yard public-address system, however, about 7,000 of the strikers were persuaded to leave.

Tension mounted as the sit-in of the remaining workers continued during Monday. The strike was broken later in the day when troops, backed by heavy armour, crashed through the yard gates.

A protest at the Huta steelworks, Warsaw, was broken up by similar tactics. Troops backed by armoured personnel-carriers charged the works. No casualties were reported.

A stoppage at the Ursus tractor plant close to the Polish capital was also crushed by armed intervention. Up to 20 pits in the key coal-mining area around Katowice were reported to be closed by protesting miners. Similar news reached Warsaw from industrial centres all over the country.

The military appears to have directed its early actions to key industrial towns like Gdansk, Warsaw, Radom and Wroclaw, where Solidarity's strength is concentrated.

Church officials, who have long supported the union's campaign for reforms, say that there have been no serious street disorders and no bloodshed.

The condition of detainees, which some estimates number at up to 25,000, however, is said to be bad. Many are held in Biotka jail, Warsaw, in cells without water or heating.

Mr Walesa is said by church officials, who have seen him, to be in good health. He is reportedly insisting he cannot make any decisions without consulting his union's ruling praesidium.

He is believed to have come under pressure to follow the example of Archbishop Josef Glemp, the Polish Primate, who on Monday broadcast an appeal for calm.

Poland has asked 22 leading Western banks to lend it \$350m to meet interest payments still due on its foreign debt this year. Page 2
Other Polish crisis news, Page 2

The next test of the extent of the armed forces' control over the country is expected today. The Military Council for National Salvation is reported to be worried about a day of rallies and demonstrations which Solidarity leaders ordered before their detention last Sunday and Monday.

Today is the 11th anniversary of the bloody shipyard riots in the Baltic ports when some 20 workers were shot. Last year the occasion was marked by dedication of a towering steel monument to those who died. It still stands outside the gates of the Lenin shipyards in Gdansk.

Our Foreign Staff writes: The Polish crisis is expected to dominate a Warsaw Pact summit meeting due to take place in Moscow this weekend, formally in celebration of Soviet President Leonid Brezhnev's 75th birthday.

All bloc leaders are expected to attend, including Poland's General Wojciech Jaruzelski, who will brief his counterparts on the latest developments in Poland and press for further economic and financial assistance.

The first to travel to Moscow was Janos Kadar, the Hungarian party leader, the East European leader whose political views are held in the greatest respect by the Kremlin. He left Budapest by train yesterday.

The Polish authorities yesterday implicitly admitted their inability to find \$450m (£238m) needed to pay the interest on the \$2.4bn of Polish debt to Western banks which is due this year. They asked the banks for a further \$350m bridging loan to fulfil their commitments.

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Benn declares he is Labour's deputy leader

BY MARGARET VAN HATTEM, POLITICAL STAFF

MR TONY BENN yesterday declared himself deputy leader of the Labour Party and launched a nationwide campaign of resistance against Mr Michael Foot, the party leader.

Emerging from a turbulent five-hour meeting of Labour's National Executive Committee, which upheld by one vote Mr Foot's rejection of Mr Peter Tatchell as prospective parliamentary candidate for Bermondsey, Mr Benn called on Labour supporters throughout the country to fight on against the decision.

Addressing television cameras massed outside Transport House, he urged Labour Party people at home not to be discouraged.

Divisions

"Speaking as deputy leader of the Labour Party—because of course Mr Denis Healey's entire majority has defected to the Social Democratic Party—I would like to tell Labour people at home not to be discouraged but to continue campaigning for peace and social justice," he said. "That is the only policy British people can rely on to deal with their problems."

Mr Benn's extraordinary act of defiance, while repudiated by some who had supported him during the meeting, only underlined publicly the bitter divisions which surfaced privately during the NEC's meeting.

Even Mr Neil Kinnock, one of Mr Foot's most loyal supporters, admitted he believed the Labour leader had mishandled the Tatchell affair. Others on the "soft left," including Miss Joan Lester, Mr Sam McCluskie and Mr Alex Kitson, refused to support Mr Foot on the grounds that his leadership was not at stake.

Decision

On a vote of 15-14 the NEC upheld an earlier decision not to endorse Mr Tatchell's candidacy. Members later voted by a more convincing 19-10 for an inquiry into the activities of extra left-wing groups such as the Militant Tendency.

The Peter Tatchell case has exposed the deep divisions and confusion within the Labour left in a manner that may still unseat Mr Foot as Labour leader. Yesterday's vote was generally regarded as a vote of confidence for Mr Foot.

The grudging one-vote majority may not, his supporters fear, give him sufficient ammunition for a sustained campaign against left-wing MPs and constituency parties now threatening to take up Mr Tatchell's cause.

Many, including a significant number of NEC members, feel Mr Tatchell has not been given a fair hearing and were angered by the decision of the NEC chairman, Dame Judith Hart, not to allow him to present his case at yesterday's meeting.

Persuaded

The decision, taken on grounds of precedent, is believed to have persuaded one or two waverers to vote against Mr Foot.

Many also believe that in acting against Mr Tatchell, the Labour leader has chosen indefensible ground to begin his fight against the far left. But Mr Foot yesterday rejected Mr Benn's suggestion that he had been forced to act against his will or judgment by threats of further defections to the Social Democrats.

He took sole responsibility for his action, he said. He had not been pushed into it. Failure to act, he suggested, would have handed the constituency of Bermondsey to the SDP "on a platter."

Mr Foot strongly defended Mr Bob Mellish, the sitting Labour MP, and made it clear that failure to reject Mr Tatchell would prompt Mr Mellish to resign immediately, causing a by-election "at a most inconvenient time for the Labour Party."

Dismissed

As Mr Foot left the meeting, he dismissed Mr Benn's claims to the deputy leadership, saying: "He's talking through his hat."

The Bermondsey Labour Party's general management will meet tonight to consider whether to select a new candidate or, as is widely expected, to confirm their support for their chosen candidate.

Mr Tatchell himself said yesterday he was deeply disappointed with the NEC decision, adding: "It is a black day for freedom of expression in the party and a blow to democracy in the movement."

£ in New York

	Dec. 16	Previous
Spot	\$1.8950-8970	\$1.8880-8895
1 month	0.40-0.35 dis	0.35-0.30 dis
3 months	1.05-0.97 dis	0.85-0.77 dis
12 months	1.55-1.35 dis	1.30-1.00 dis

Union leaders will try to sabotage labour Bill

BY CHRISTIAN TYLER, LABOUR EDITOR

ATTEMPTS to sabotage the Government's proposed labour laws are being planned by a number of TUC leaders. The union leaders want the TUC to organise industry-wide action should an employer within that industry take a trade union to court for damages.

The proposal, drawn up by the politically moderate General and Municipal Workers, is expected to be put to a special conference of all trade union executive committees called by the TUC for next month when the Bill is published.

Officially the TUC is refusing to disclose its hand until the Bill is published. It fears Mr Norman Tebbit, Employment Secretary, would try to close any possible loopholes in his White Paper plans. It is also waiting for suggestions from other unions.

The Transport Workers wants the TUC to withdraw from the National Economic Development Council and the industrial "Little Neddies."

Meanwhile Mr Tebbit is facing what could be politically embarrassing protests from Tory trade unionists. A survey of their organisation's 12 areas and 15 industrial groups has disclosed widespread dislike of the central plank of the new Bill, that trade union funds—not merely individuals—should be vulnerable to civil actions for damages for unlawful industrial action.

It is supported by other important trade union leaders, including the Transport and General Workers, and after modification is likely to be adopted by the TUC's employment policy committee and the general council as part of a campaign to be debated by the conference.

The GMWU, whose general secretary, Mr David Basnett declared recently that political action was justified to defeat the labour legislation, has suggested two other methods of retaliation.

One would be for unions to boycott periodic ballots on closed shop agreements as outlined in the Government's proposals: the other would be to withdraw union representatives from industrial tribunal hearings of closed shop compensation cases.

Officials of the Conservative Trade Unionists organisation are to meet Mr Tebbit tomorrow, but have yet to work out how to present the survey findings. They will probably also protest that the suggested scale of damages unfairly penalises smaller unions and would deprive them of money badly needed to improve services to members.

The CTU survey appears to confirm, however, support for the periodic review of closed shops and a much greater compensation for closed shop victims.

There is some misgiving, however, about the proposed ban on union-only labour contracts. The CTU will press for legislative support of wider use of ballots on work premises and for government codes of practices on worker participation, possibly backed by legislation if employers fail to take steps themselves.

Mr Tebbit met the TUC's employment committee yesterday when he was again told to drop the whole package or face serious industrial trouble.

He said afterwards that opinion polls suggested there was not the rank and file opposition to his measures claimed by the TUC. He did not think there was evidence that the TUC could unite the unions in the way they were threatening.

Union leaders, however, declared that the scale of the campaign against the laws, organised b ythe TUC, would be greater than that which finally rendered the 1971 Industrial Relations Act unworkable.

Mr Bill Keys, chairman of the employment committee, said Mr Tebbit had been told he had embarked on a course that would only lead to a confrontation that nobody wanted. "But we shall not shrink from it."

U.S. output down 2.1% in November

By David Buchan in Washington

INDUSTRIAL production in the U.S. dropped 2.1 per cent in November, the fourth consecutive monthly decline and the sharpest monthly fall since a 3 per cent decline in May 1980. The figures provide further evidence of the steepness of the recession in the U.S.

The Federal Reserve Board said that last month's production decline was widespread, with every major sector except defence reporting output lower than in October when industrial production fell 1.4 per cent.

The Fed's industrial production index measures nearly a third of the country's total output of goods and services. Government economists concluded yesterday that the final quarter of 1981 is likely to show a "quite sharp" decline in gross national product.

Mr Robert Ortner, the commerce department's chief economist, said: "We are hopeful that it will not be much more than 5-6 per cent." At an annual rate, most previous administration predictions had put the expected real GNP decline in the October to

Continued on Back Page

Bill to limit rate rises dropped

BY ROBIN PAULEY

THE GOVERNMENT yesterday withdrew its controversial Bill aimed at limiting rate rises, but introduced a new one banning supplementary rates. It also published a Green Paper admitting that there is no single suitable tax which can replace domestic rates.

Mr Michael Heseltine, Environment Secretary, withdrew the Local Government Finance Bill six weeks after it was introduced because Tory backbenchers had indicated that it would not get through unless the Government dropped its plan to force councils to hold referendums before they could increase rates beyond a centrally set limit.

He introduced a new Local Government Finance (No 2) Bill, deleting all reference to local polls, and simply banning all councils from levying supplementary rates. Other sections of the first Bill, including proposals to establish an Audit Commission to allocate auditors to councils, remain intact.

In exceptional emergencies — flooding is the most common — councils which need extra cash will be able to ask the Government for permission to borrow, the money to be repaid out of revenue income in the first quarter of the following financial year.

As he explained the changes to Labour jeers in the Commons, Mr Heseltine also announced the Green Paper on Alternatives to Domestic Rates as the Government's response to long-standing Tory pressure to change the rating system.

But the paper dismisses most options as unworkable and leaves as the only measures worthy of further study a local income tax, a sales tax, a poll tax, reform of domestic rates and the funding of most or all local government from the centre.

The Government is not willing to take all control to the centre and says the other three alternatives to rates contain so many drawbacks that they could only be used in combination or as a supplement to rates.

The paper makes no firm recommendations, but as the subject is an urgent political matter for Conservatives, the Government has asked for comments by the end of March.

The most likely outcome indicated by the paper is the retention in a reformed and updated form of domestic rates together with a simple form of

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Moscow endorses military takeover

By David Satter in Moscow

THE SOVIET UNION yesterday endorsed the military takeover in Poland as an historic opportunity for the Poles, but warned that the U.S. was "uttering threats" against Poland's leaders.

The Communist Party newspaper Pravda said the imposition of martial law had given the Poles the chance to start solving "difficult tasks of truly historic importance" for the Polish state.

The endorsement of the emergency measures was consistent with an optimistic line on Polish events which has appeared in the Soviet Press.

Soviet officials were also telling their foreign contacts they believed the Polish army's massive show of force would be enough to contain any disorders or strikes and make it possible to restore some type of normality.

Pravda warned, however, that leaders in the West were disappointed that the Polish leadership was starting to deal with its country's problems.

Western radio stations were urging Poles round the clock "not to implement the authorities' instructions and inciting them to strikes and other forms of sabotage."

Pravda repeated accusations of U.S. interference in Poland's internal affairs and said that the U.S. had no business tying food aid to the course of internal developments there.

The newspaper said Mr Alexander Haig, the U.S. Secretary of State, was trying to tell Poland what it could do and what it could not do.

In a separate report, the Soviet news agency Tass said that Polish security forces had broken up strike attempts in Gdansk, the headquarters of Solidarity, and in Szczecin and the southern industrial town of Wroclaw.

Tass, quoting the Polish news agency PAP, said the situation was generally calm in Poland with factories and transport in Warsaw working normally. There was "tranquility and order on the streets."

Tass said "extremists" from Solidarity had tried to organise strikes at a number of factories in the cities where the attempts were broken up "with the help of workers."

West asked for further $350m

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

POLAND has asked 22 leading Western banks to lend it $350m (£184m) to meet interest payments still due on its foreign debt this year.

The request is a tacit admission that expectations in the West of further hard currency aid from the Soviet Union in this quarter have not materialised. It also introduces a new factor likely to delay the signing of the proposed rescheduling agreement with some 500 international banks.

There was no immediate response yesterday from banks which received the request for the $350m credit, described as six-month bridging finance. It was understood that banks will need a little time to consider their options.

Some banks are thought likely to view the request unfavourably on the grounds that granting such a credit would effectively mean they were shouldering the burden of Poland's interest obligations to their smaller competitors.

Others are likely to argue strongly that Poland needs a fresh breathing space to give the military council a chance to get the economy moving again.

If General Wojciech Jaruzelski, Poland's leader, is successful in building up output, particularly in the mining sector, the country could accumulate enough foreign exchange to meet its interest bill by the middle of next year, some bankers said yesterday.

Despite the troubled situation, Poland has apparently managed to set aside the remaining $100m to $150m needed to pay off its interest this year, which is an encouraging sign, they argued.

But the fact remains that the request for interest to be financed is an embarrassment to the international banking community. A firm condition of the planned rescheduling arrangement was that all interest payments should be brought up to date before signature.

Most banks are still keen to sign the agreement to reschedule $2.4bn of debt falling due over the last three-quarters of the year, allowing repayment to be deferred over seven years.

Without such an agreement it will be hard for banks to avoid making expensive provisions against their Polish exposure. Some banks fear that their auditors will be pressing harder for such provisions to be made now that it has become clear that interest payments will still be overdue at the end of the year.

Stewart Fleming in Frankfurt examines Poland's debts to W. Germany

Historic links and a moral obligation

"IT WAS profitable, it was good for German industry and it was morally right," was how one banker recently explained how the West German banking industry became so heavily involved in lending to Poland.

A clearer picture of this involvement has emerged in the past few days as bankers have directly and indirectly begun to give fuller details of their Polish debt.

The figures emerging need to be treated with caution, however. German parent banks and their overseas subsidiaries are legally separate entities and is not always clear when the banks talk about their Polish exposure whether they are talking about only lending commitments from the German parent company or for the banking group as a whole.

Secondly, some banks for which figures of Polish exposure have emerged are still refusing to confirm the data.

Of the total commercial debt believed to be outstanding of $17bn to $18bn, the Western banking consortium has said that some $4.5bn has been lent by German banks. This compares with some $1.6bn for U.S. banks.

It is not clear whether "German banks" means only the parent companies or the banking industry in its fullest sense including foreign subsidiaries. If it is the former then the implication is that the total of $4.5bn is too low. About half is covered by Government loan guarantees.

Within the overall total individual West German banks have heavy commitments. The trade union owned Bank für Gemeinwirtschaft, the eighth largest bank in the country with group assets of some DM 60bn and published equity capital and reserves of DM 1.68bn has around DM 700m of non-Government guaranteed Polish debt.

Commerzbank has said publicly that its non-Government guaranteed Polish exposure is DM 600m and says that this is a group consolidated figure. Dresdner Bank's exposure is DM 400m. Deutsche Bank is another which will not comment on its exposure, but figures of between DM 360m and DM 450m have been mentioned in the German press. Westdeutsche Landesbank is understood to have some DM 200m of uncovered debt.

Insights

The background to this commitment in Poland provides some insights not only into the reasons why the Polish tragedy has so gripped the minds and emotions of the German people, but also into the close relationship between the banks and the Government.

Developments in Poland have for centuries been part and parcel of German history. For long periods up to the end of World War II large areas of what today is Poland were part of either the Prussian, or after 1871, the German empire.

Polish labour helped to develop the coalmines which are now part of the Federal Republic and when millions of refugees fled from East Europe to the West after World War II, many came from areas of what is today Poland.

Recent history has sharpened the sensitivity of the German people to their historical Polish ties. The banker who remarked that it was morally right to lend to Poland was remembering that German armies brutally raped Poland in the last war. Auschwitz is in present-day Poland, and the memory of Herr Willy Brandt as Chancellor kneeling at the Warsaw Ghetto memorial in 1970 is etched into German consciousness.

Herr Brandt's "Ostpolitik," including the financial agreements signed between Poland and the Federal Republic in 1975, underpinned the growth of lending to Poland. The apparent anomaly that BfG Bank should have the largest commitment in Poland is, some bankers argue, in part an indication of the political persuasion that was brought to bear to support the "Ostpolitik." Herr Brandt's Social Democratic Party draws its strongest support from among the trade unions, which in turn own BfG.

Beyond the political and emotional considerations however lay solid commercial considerations which should not be underrated. The banks received good interest earnings on the debt and their loans were, initially at least, helpful in the development of Polish coal and copper mining which in turn benefited German and the corporate customers of the German banks.

In 1980 German imports from Poland totalled DM 3.9bn, around 25 per cent of which comprised copper and coal and another fifth foodstuffs. German exports were of roughly the same value, a third of which comprised exports of mechanical engineering products from German factories.

What emerges therefore is a picture of German banks lending to Poland—if not in co-operation with the German Government—then at least with an awareness of parallel interests.

Comfort

The banks tended to comfort themselves with the "umbrella theory" that the Soviet Union would not let the debt problems of its East European satellites get out of hand. This, however, has not withstood the test of the Polish re-scheduling talks.

The bank's anxiety about the situation is perhaps in general a little less acute than it was a few months ago because their overall profit situation is improving even though there are doubts about the tax position. The more profitable banks, in particular Deutsche Bank, are thought to have put aside provisions to cover much of their exposure.

Dresdner Bank has said it intends to make provisions for a part of its Polishd ebt this year. There is an assumption however that because of the scale of the lending and the Government's involvement in it if the worst came to the worst the authorities would not permit the banking system to suffer from the Poles' inability to service the debt.

CRISIS IN POLAND

Warning on farm product imports

PARIS—Poland will need to import an increasing amount of farm products unless a "complete" reform of the Polish economy stimulates agricultural output, the Organisation for Economic Co-operation and Development (OECD) warned in a survey published yesterday.

The survey, prepared before last weekend's crackdown by the Polish military authorities, said cereal production was the worst agricultural problem facing the nation.

Poland produces only 50 per cent of the cereals it consumes, compared with 75 per cent in 1972, the OECD said.

Production of cereals averaged 18.7m tons a year between 1976 and 1980, down from an annual average of 20.9m tons between 1971 and 1975. Similarly, production of potatoes averaged 46.5m tons a year between 1976 and 1980, down from 47.1m in 1971-1975.

The OECD said Poland could only reduce its imports of grain and cattle feed — which rose to 9m tons in 1980 from 6m tons in 1976 — by reducing its target for meat production and trimming subsidies for meat consumption.

Such measures would be unpopular and difficult and might be impossible in the present situation, the OECD said.

Meat production in Poland declined to 3.1m tons in 1980 from 3.3m tons in 1979, and has hardly increased since 1974, the OECD noted.

AP

Mitterrand issues strong condemnation of Polish crackdown

BY DAVID HOUSEGO IN PARIS

M Mitterrand: duty to show disapproval

PRESIDENT Francois Mitterrand of France yesterday vigorously condemned the repressive measures of the Polish military authorities.

He said the curtailment of public and personal freedoms in whatever form should always be denounced.

M. Mitterrand's statement, issued after he weekly Cabinet meeting, goes well beyond that of most other European states. It deals a humiliating blow to the French Communist Party, which as a member of the coalition Government, is associated with it.

Since Sunday, the Communist Party and the Communist-led General Confederation of Labour (CGT) have been increasingly isolated in refusing to join other political parties and unions of both Left and Right in denouncing the arrests and suspension of trades unions in Poland.

Emerging from the Cabinet meeting, the four Communist Ministers indicated that they went along with the statement in the interests of government unity.

In the National Assembly, M Pierre Mauroy, the Prime Minister, went even further than the President in saying that Polish workers were already suffering "oppression" by the army and that France would not accept the suspension of trade union activities.

M Mauroy, reflecting a hardening of the French Government's attitude over the last 48 hours in response to events in Poland and the wave of public sympathy in France for the Poles, said his country was seeking a "sharper and more categoric condemnation" from its European partners.

M Mitterrand's declaration was in line with his Government's principle of supporting human rights causes against dictatorship worldwide. He said that whether the loss of freedom was the result of internal oppression or external pressure it should be "clearly, vigorously and constantly denounced."

Since in Poland trades union and civil liberties were in doubt, an emergency Government had been installed, and numerous people arrested. France, he declared, had a duty to "show its disapproval."

The decision of the French Communist Party to allow itself to be associated with the Government's statement, stems from its reluctance to quit the coalition on an issue on which its own views are unpopular.

The party is the most closely aligned with Moscow of the major West European Communist movements. Its decision was evidently reached with much agonising and marks another U-turn.

In its statements since Sunday the party has taken the view that the Polish crisis has been due to the excesses of Solidarity and that outsiders should refrain from actions which could exacerbate the situation.

Its refusal to support the widespread demonstration in France in favour of individual and trades union freedoms in Poland has brought it under public attack from a number of party members. CGT workers have been seen joining the demonstrations of other unions.

M Lionel Jospin, the Socialist First Secretary, rubbed in the Communists' embarrassment by declaring that the statement of the party's official position by M George Marchais, the General Secretary, did not fully accord with the joint Socialist-Communist declaration drawn up as the framework of the coalition Government.

Tara Mines threatens temporary shutdown

BY BRENDAN KEENAN IN DUBLIN

EUROPE'S biggest lead and zinc mine, Tara Mines, at Navan, Ireland, is to be reduced to a care and maintenance basis from January 1 if there is no settlement of a craftsmen's strike which has halted production since July.

If the threat is carried out, it may take months for the mine to return to full production when the strike ends.

At present, 150 people are employed keeping the mine ready for resumption of work. But if no settlement is reached, they will join more than 700 workers laid off because of the dispute.

None of the unions involved was immediately available for comment on the company's decision.

In its letter to the workforce, Tara said it regretted that the dispute had lasted so long. It urged a resumption of conciliation to settle the strike, which is over pay and bonuses.

Another conciliation meeting is to take place tomorrow. But company officials said past experience convinced them there was little prospect of success.

It is clear that Tara hopes the threat of a shutdown may help settle the strike.

People in Navan say most of the 149 craftsmen have found part-time work and are dug in for an indefinite strike.

However, the pay-related benefit for those laid off expires this month, and this may put extra pressure on the strikers.

Tara has stood firm on the craftsmen's demands because it fears the repercussions of a pay rise on the rest of the workforce.

The strike has cost the company millions of pounds.

Results for the third quarter of this year—the period in which the strike began—showed losses of I£4.1m (£3.4m), compared with pre-tax profits of I£395,000 in the previous three months.

Losses for the final quarter are said to be even worse. Earlier this year, the company invoked a force majeure clause in its agreement with its banks to defer repayment of $4.25m due on October 20.

A combination of bad industrial relations and poor prices for its products has meant that the mine—once hailed as a significant boost to the Irish economy—has rarely showed a profit.

Irish employers angry over pay deal

Irish employers have reacted with dismay to the Government's agreement on pay rises averaging 15 per cent over 15 months for 150,000 public servants, reports our Dublin correspondent.

The Confederation of Irish Industry said the deal set an unreal example and would have serious consequences for industry, since the confederation had called for a three-month prices-and-incomes freeze to break what it called the inflationary spiral.

There seems little prospect of that, however, since the agreement, which was put to the Cabinet yesterday, contains no provision for a pay freeze. The public service unions are expected to recommend acceptance of the deal in a ballot of their members.

The agreement, which would operate in three phases, represents an increase of 10.9 per cent over 12 months for a worker on I£100 a week, according to preliminary calculations.

Lower-paid workers will receive up to 13.7 per cent, which, some employers claim, is more than the original national claim from the Irish Congress of Trade Unions.

It seems that the only reason national pay talks broke down was private employers' insistence on a freeze on special pay claims. The government deal gets round this problem by agreeing that claims can be negotiated, but that payments will not be made before next October.

E. Europe faces oil price rises of 25%

By a Correspondent

East European nations face the prospect of sharp price increases for Soviet oil in addition to cuts in supplies being negotiated.

Neither the Soviet Union nor its partners have published the prices paid for Soviet oil since 1975. However, the "sliding price formula" used by Comecon to calculate these prices is known and has been used by the Vienna Institute of comparative economic studies to forecast Eastern Europe's oil import costs.

The formula links intra-Comecon oil prices to the average world market price in the preceding five years. Working forward from 1975, the institute calculates that this year Comecon has been paying almost a third more for Soviet oil than in 1980.

On the same basis, next year's automatic price increase, effective from January 1, will push the price per tonne up by nearly 25 per cent to reflect Opec price rises through 1976-1980.

The Comecon countries will also have to cope with cuts in supplies of Soviet oil of up to 20 per cent next year.

The Soviet Union supplies about 90 per cent of Eastern Europe's oil demand, amounting to 80m tonnes last year. Originally the current five-year plan foresaw total Soviet deliveries to Eastern Europe of 400m tonnes, or 80m tonnes a year up to 1975.

But now the Soviets are seeking to reduce this overall figure by at least 10 per cent from next January.

However, the cuts will not be spread evenly and some countries will suffer more than others. Hungary, for example, is currently negotiating a Soviet proposal to reduce its supplies by no less than 20 per cent, from 8m to 6.4m tonnes a year.

Reuter adds from Moscow: Soviet oil production rose by 1 per cent in the first 11 months of this year to 557m tonnes (12.15m barrels a day), according to official statistics published yesterday.

Western economic experts said it seemed the Soviet Union, the world's leading oil producer, would achieve, or fall slightly short of, its target production of 610m tonnes (12.2m bpd) for the year.

EEC must develop faster, says Thatcher

BY JOHN WYLES IN STRASBOURG

MRS MARGARET THATCHER, the British Prime Minister, in a symbolic and precedent-setting maiden speech to the European Parliament, yesterday called for a speedier development of the European Community.

It was the first prime ministerial report on an EEC summit given to the parliament, and was deliberately planned to boost its standing in relation to the Council of Ministers.

This gesture by the British Government in the last days of its six-month term in the Council Presidency gratified most of the 300 or so MEPs present.

Several, however, used Mrs Thatcher's presence as an opportunity to grind political axes. Britain's 18 Labour MEPs sat *on their hands at the end of* the speech and each wore a black sash bearing the words "3m unemployed."

Mr Neil Blaney from Eire condemned the British Government's failure to solve the Northern Ireland problem. M Christian de la Malene, the *elegant leader of the French* Gaullists, showed that he and his colleagues had forgotten nothing and forgiven nothing by telling the Prime Minister that her diplomacy had "wrecked the hopes and faith of the citizens of Europe."

Britain's 60-odd Tory members, however, interrupted the Prime Minister's speech with frequent and enthusiastic applause.

But, as the Prime Minister came close to acknowledging, the London summit of November 26-27 did little to merit great applause. She had hoped, shes said, to be reporting full agreement by the ten heads of government on the so-called mandate issues — development of non-farm policies, reform of the Common Agricultural Policy and new deal to limit the UK's payment to the EEC budget.

Progress was made, she claimed, but finally the summit had to pass four key issues to the meeting of Foreign Ministers which took place on Monday and Tuesday of this week. Despite "their best endeavours," they had been *unable to reach agreement*

Dutch boiler industry scheme hits snag

A PLAN to restructure the Netherlands' hard-pressed heavy boiler-making industry has run into opposition from one of the companies involved and from many MPs, Charles Batchelor reports from Amsterdam.

The proposal of Mr Jan Terlouw, Economics Minister, to concentrate the boiler-making activities of the RIJN-Schelde-Verolme (RSV) group and VMF-Stork in a new largely state-owned company, will be debated in Parliament tomorrow.

RSV said it was essential for it to retain boiler-making capacity if its De Schelde division in Flushing was to remain viable. The company has invested Fl 125m (£27m) in these activities and in some areas is further advanced than any of its competitors. Boiler-making is both profitable and a basis for further technological developments, RSV said.

Despite RSV's strong position, the Dutch Government wants to base future boiler making activities at VMF-Stork's plant at Hengelo. VMF-Stork's boiler making subsidiary, Stork KAB, has made large losses and will have to be shut if government aid is not forthcoming.

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W. German reactor plan saved

BY KEVIN DONE IN FRANKFURT

WEST GERMANY'S DM3.4bn (£1.3bn) fast breeder nuclear reactor project has been saved, at least temporarily, from financial collapse.

The Federal Government has still to win agreement from the electricity supply industry to *close a DM 1.1bn gap in the project's financing*, but the cabinet yesterday approved an extension of last-ditch talks with the power utilities into next year.

Last week, Herr Andreas von Bülow, the Federal Research Minister, threatened to recommend a halt to building work if the electricity industry failed to pledge greater financial support.

The industry is only providing 8 per cent of the project finance, while the Federal Government is shouldering 62 per cent of the burden, and the Dutch and Belgian states 15 per cent each.

Delays

Originally, the fast breeder was scheduled to be completed by 1979 at a cost of DM 1.5bn, but the project has suffered drastic delays. Costs have risen to an estimated DM 5.4bn and the earliest the reactor is expected to be in operation is 1986.

With the growing squeeze on public expenditure, the government has said that there is no money left in the Federal research budget to make good the DM 1.1bn financing deficit. Herr von Bülow insists that the only solution is for the industry to increase its share in the financing to 28 per cent.

Three utilities in northern Germany have offered to contribute an additional DM 547m, but until this week Bonn has met resistance from southern utilities.

The reprieve had been granted, said Herr von Bülow yesterday, because there were signs that the southern utilities might be prepared to soften their stance.

PLO granted rights in Greece

BY VICTOR WALKER IN ATHENS

MR YASSER ARAFAT, leader of the Palestine Liberation Organisation, yesterday crowned his three-day official visit to Greece by obtaining full diplomatic status for the PLO information office in Athens.

Describing this at a Press conference as "a bold and important step," Mr Arafat said the representation would be the same as that enjoyed by the PLO offices in Vienna, Madrid, Malta and Nicosia. It carried with it "all the rights and immunities."

Mr Arafat ended his visit as he began it on Monday, in a shroud of security that caused heavy traffic jams in central Athens. He left after a third round of talks with Mr Andreas Papandreou," the Prime Minister.

A communique said the talks, which covered Middle East problems and the Cyprus issue, were held in a cordial spirit of friendship and understanding. It linked the granting of diplomatic status to the PLO office with the Greek Government's recognition of the PLO as the sole legitimate representative of the Palestinian people, playing a basic role in the process for a Middle East settlement.

The PLO mission will be at same level as the Israeli diplomatic representation in Athens. The Papandreou Government says it has no plan to raise the Israeli status to full embassy.

Mr Arafat avoided a question at his Press conference on whether the move meant that the PLO, in the same way as Israel, had obtained only *de facto* and not *de jure* recognition from Athens.

The relationship between the Greek and Palestinian peoples, he said, was deeper than legal terminology.

Moscow gives visas to more ethnic Germans

SOVIET authorities have allowed a sharp increase in emigration by ethnic Germans following President Leonid Brezhnev's visit to Bonn last month, West German Officials said yesterday, Reuter reports *from Moscow*.

The number of Soviet Germans given visas to leave for West Germany in November was 62, the lowest monthly figure for more than a decade. But the officials said there had already been a "very sharp upward trend" in the first half of this month and the December total was expected to run into several hundreds.

Chancellor Helmut Schmidt raised the question of ethnic German emigration during his talks with Mr Brezhnev.

Nearly 2m Germans live in the Soviet Union. More than 100,000 *have applied* to emigrate to West Germany.

David Satter reports from Moscow: Miss Yelena Bonner, who staged a hunger strike with her husband, Dr Andrei Sakharov, the Soviet human rights leader, said yesterday in Moscow that the Soviet Government may eventually liberalise its stand on the right to emigrate.

Miss Bonner, who with her husband won a nexit visa for their daughter-in-law, Liza Alexeyeva, after a 17-day hunger strike, said "the attention of the whole world has been focused on man's basic right to choose his country of residence."

Honecker hopeful after summit with Schmidt

BY LESLIE COLITT IN BERLIN

HERR ERICH HONECKER, leader of East Germany, said that after his recent summit meeting with Chancellor Helmut Schmidt of West Germany relations between the two countries could "improve step by step" and become a "stabilising factor" in Europe.

In an interview with the Communist Party newspaper Neues Deutschland, Herr Honecker said Chancellor Schmidt had "moved closer" to the East German position that there is a separate East German citizenship.

Herr Honecker said he had noted "with interest" that on several occasions during Herr Schmidt's visit he had referred to "citizens of the (East) German Democratic Republic" and "citizens of the Federal Republic of Germany."

The West Germany constitution says there is only one German nationality and East Germans coming to the West can automatically obtain West German citizenship if they desire.

During a toast Herr Schmidt gave in East Germany and in a telegram to the East German leader after leaving, the West German leader spoke of East and West German citizens.

Herr Honecker said relations between the two Germanys were "better than is sometimes thought. They are better than their reputation." He noted that it would be possible after the inter-German summit meeting to "solve practical problems" in which the other side is interested.

This appeared to be a hint that if West Germany agreed to certain economic measures, such as extending the DM850m interest-free trade credit to East Germany, which was agreed on last weekend, then East Germany could decide to reduce the amount of money West Germans and West Berliners are made to exchange on entering East Germany.

The border entrance charges were tripled last autumn to reduce the number of Westerners entering East Germany. Chancellor Schmidt, however, needs some humanitarian gestures by East Germany which he can present to West German voters.

In his lengthy interview Herr Honecker did not mention Poland, although the East German news agency welcomed the Polish army's crackdown on the Solidarity union.

U.S. suspects sabotage of peace process

BY OUR FOREIGN STAFF

AMERICAN officials believe that Israel's annexation of the Golan Heights may be designed to sabotage the Camp David peace process, according to news agency reports from Washington.

The U.S. officials are quoted as saying that it was difficult to put any other interpretation on the Israeli action. They consider that Israel's prime motivation in bringing an end to the Camp David process could be to avoid withdrawing from the final portion of Sinai next April.

"They must have considered the possibility of the chain reaction they could set off," said one Administration official. If President Hosni Mubarak had not responded by reaffirming Egypt's commitment to the Camp David agreements "he could have played into Israeli hands."

Mr Zbigniew Brzezinski, the National Security Adviser under President Jimmy Carter, last month that Mr Menahem Begin, the Israeli Prime Minister, "knew his hold on the Egyptians will decline once he has returned the rest of Sinai."

"It is likely that Begin will test Mubarak's commitment to Camp David by unilateral actions designed either to reinforce Egypt's isolation or to place the onus of any break-down in Camp David on Mubarak," he said.

Meanwhile Egypt said yesterday that it would support Syria's moves against Israel in the United Nations Security Council. Mr Kamal Hassan Ali, the Foreign Minister, said after a 90-minute meeting chaired by President Mubarak that Egypt would co-ordinate its position with the three Arab nations with which it still has relations, Sudan, Somalia and Oman.

However, Mr Kamal Hassan Ali did not make clear whether Egypt would support a call for sanctions against Israel. Syria has said that it will demand sanctions unless Israel rescinds within a week its annexation of the Golan Heights.

But Egypt has also emphasised that it will not allow itself to be dragged into a war between Israel and Syria.

● A delegation of Arab ambassadors in London yesterday called on Lord Carrington, the Foreign Secretary to express their appreciation for the statement by the Common Market Foreign Ministers in London yesterday which "strongly deplored" the annexation of the Golan Heights. The envoys from Jordan, Syria, Qatar and Algeria asked Lord Carrington to "re-evaluate" European relations with Israel.

Rabin attacks Begin's rapid Knesset move

BY MAURICE SAMUELSON

ISRAEL'S annexation of the Golan Heights has been attacked in London by Mr Yitzhak Rabin, the former Israeli Labour Prime Minister and Chief of Staff in the 1967 war when Israel captured the area from Syria.

Mr Rabin said that when he flew to Britain on Monday morning he had no idea that the Begin Government would rush its Golan Heights move through the Knesset the same day. Had he been present to vote he would not have supported the proposal even though he believed the Heights should be part of Israel.

He was opposed not to the principle of the Government's move but to its timing "in view of the question marks over the Reagan Administration's attitude to the Camp David accords as the sole basis of a solution."

Instead, Israel should take the initiative by proposing a summit meeting between the leaders of Egypt, Israel and the U.S. in February to discuss the aftermath of the evacuation of the rest of Sinai in April.

Had there been a negative response to this proposal, Israel could then have reassessed its position.

Singapore PM 'upset' at poll result

By Kathryn Davies in Singapore

THE ELECTION of a solitary Opposition candidate to Singapore's Parliament has provoked an unprecedented display of concern by Mr Lee Kuan Yew, the Prime Minister.

Mr Ben Jeyaretnam, a lawyer, defeated the ruling People's Action Party candidate in a by-election in the working-class Anson constituency on October 31, and will take his seat when Parliament meets again next week.

Despite the fact that Mr Jeyaretnam will be the only Opposition member in the 75-seat chamber, Mr Lee is clearly sufficiently worried about the result to feel that his personal intervention is necessary.

The Prime Minister's message was originally delivered to a closed meeting of all PAP MPs on November 17 but was released, without explanation for the delay, only this week. It was featured at great length in the local media.

Pinpointing housing as the major factor in voter discontent, Mr Lee has promised early action to ensure that 80 per cent of Singaporeans own their own homes by 1990. "Nobody will be keen to be called up to defend Singapore if he owns nothing of it," he said.

He also noted that the PAP's successor generation (groomed by Mr Lee himself) needs to develop basic political skills. Coming largely from private business and the bureaucracy, most second-generation leaders need to learn "to communicate in warm, simple, and human terms that ordinary people can understand."

Mr Jeyaretnam's victory has been partly ascribed to a series of insensitive remarks made by the PAP's Organising Secretary, Mr Goh Chok Tong, who is also Minister of Health.

Mr Jeyaretnam said that the extensive presentation of Mr Lee's views clearly meant that the Prime Minister was "upset," although he had said in the past that he wanted to see a responsible Opposition in Singapore.

Anson constituents had voted for Mr Jeyaretnam's Workers' Party because they were "fed up with the arrogance of the PAP," he said. They no longer feared the consequences of voting against the Government.

NIGER REPORT

Fears about Libya persist after Chad

BY MARK WEBSTER, RECENTLY IN NIAMEY, NIGER

THE SUDDEN withdrawal of Libyan troops from Chad last month brought an almost audible sigh of relief from the landlocked West African state of Niger. For the seven-year-old military regime of President Seyni Kountche feared that the heavy hand of Libya might fall on his own country next.

Although the withdrawal has lessened some of those fears, relations between Niamey and Tripoli are still strained. The Niger Government has tightened up border controls and the Libyan Cultural Centre remains closed after crowds turned up to check the rumour that Col Muammar Gadaffi's regime was putting large denomination bank notes in some of its publications.

But the realities of Niger's impoverished economy have meant that Libya is still a major customer for the country's vital uranium exports.

Officially, Niger sells no uranium to Libya. In fact, Tripoli bought more than a quarter of last year's total production of 4,300 tonnes, at well above the market price.

However, the arrival of Libyan troops in Chad served to persuade Niger's allies to rally around with help. Both France, the former colonial power, and the conservative Arab states have offered substantial additional aid.

On his return from the Franco-African summit in Paris last month, President Kountche had good reason to be optimistic. Observers say his personal and professional relations with President Francois Mitterrand are good, and the French, Niger's main uranium customers, have agreed to a new floor price of CFA 24,000 a kilo (about $39 a pound), a 20 per cent increase on the previous price.

At the same time, Saudi Arabia has given Niger a $15m interest-free loan as balance-of-payments support, and agreed to provide some $68m during the current financial year to balance Niger's increasing budget deficits.

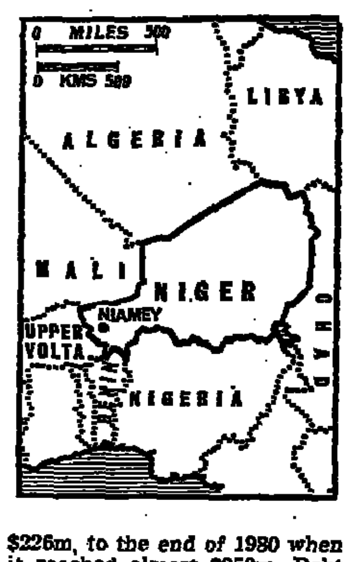
These large injections of foreign help will undoubtedly save Niger from a painful period of austerity following the rapid fall in the world price of uranium two years ago. Despite the fact that uranium production doubled between 1978 and 1980, the sluggish demand on world markets left Niger severely short of cash.

Yet the aid cannot go far towards improving the lot of Niger's 5.6m population, most of whom scratch a living from subsistence farming. Niger is a vast country but four-fifths of it is covered by desert and 90 per cent of its people live in the narrow fertile band in the south of the country.

The Sahelian drought, which hit Niger and neighbouring countries between 1969 and 1974 has left bitter memories of thousands starving to death in the barren landscape. Although harvests have since been much better (last year's was a record) the country still has to import large quantities of rice and wheat.

Uranium has been the only bright spot. Niger is one of the world's biggest producers of uranium from its two mines at Arlit and Akouta but development of two other mines is being held up because of the low world prices for the mineral. Reserves are estimated at 100,000 to 160,000 tonnes and already 16 companies from nine different countries are involved in exploration.

Col Gadaffi . . . threat recedes



The uranium exports, which account for more than 75 per cent of foreign exchange earnings, have enabled Niger to show a real growth rate averaging 7.3 per cent during recent years.

At the same time, foreign debt grew fast from the end of 1977, when it stood at some $226m, to the end of 1980 when it reached almost $250m. Debt servicing is expected to take more than 17 per cent of the total budget for the current financial year and will carry on climbing in the near future.

Even so, the administration maintains that its five-year $1.2bn 1981-85 development plan remains feasible. Under the terms of the plan, only 7.3 per cent of total planned expenditure would come from the budget, while the bulk would be raised through borrowing, refundable aid and gifts.

The Government is putting its short-term faith in additional help from the administration of President Mitterrand, and opening new uranium mines. Diplomats in Niamey believe Niger will get some of the support it is seeking. The country is generally well managed

National income shows rise

By Our New Delhi Correspondent

INDIA'S national income grew by about 7 per cent in 1980-81 to IR 473bn (£27bn) from IR 443bn in the previous year, according to a report published yesterday by the Reserve Bank.

The report notes that the rise in national income was in contrast to a fall of 4.9 per cent in 1979-80, a year of drought.

The growth in 1980-81 was primarily due to the marked recovery of 22 per cent in agricultural production

Indian anger at exports 'block'

BY K. K. SHARMA IN NEW DELHI

RELATIONS between India and the U.S., already strained over Washington's failure to supply nuclear fuel to the Tarapur plant in Maharashtra and the recent $3.5bn arms deal with Pakistan, have worsened following the disclosure that the U.S. has blocked vital exports to India.

Indian officials say the exports are neither controversial nor lethal and are needed for the space programme, for the aviation industry, for thermal plants and for the nuclear power stations at Tarapur and Narora in Uttar Pradesh.

The Commerce Department has blocked them under the instructions of the State or Defence Departments in the belief that the items concerned have possible application in the defence industry, the officials say. They believe the U.S. Administration is deliberately trying to annoy India.

The cancellation of the visit to India this week by Mr Alexander Haig, the U.S. Secretary of State, is being viewed in the context of concern over the Polish crisis, but it has been noted that India is being given low priority.

One of the declared objects of Mr Haig's visit was to improve Indo-U.S. relations by establishing personal contacts with Indian leaders.

The problem has been aggravated by reports that the U.S. will ask difficult questions when the next instalment of a $5.8bn loan is considered by the executive board of the International Monetary Fund. The U.S. was the only country to abstain when the board approved the loan last month.

Angola ready for talks with Unita

LISBON—Angola's ambassador to Portugal yesterday said his Government is willing to have talks with Mr Jonas Savimbi's rebel group Unita.

Sr Adriano Sebastiao listed a condition for the negotiations. Angola's President Jose Dos Santos would sit down with Mr Savimbi only after he had "broken his ties to South Africa." Unita has been supplied by the Pretoria Government in its guerrilla fight against the Government since Angolan independence in 1975.

Mr Savimbi said after talks in Washington with U.S. officials last week that he was "ready for reconciliation, provided the Cubans leave Angola." Some 12,000 to 15,000 Cuban troops are in the country.

Sr Sebastiao's announcement followed a statement from African diplomats in Lisbon denouncing Pretoria's "policy of aggression against Angola, the world powers that support the Pretorian regime" and "the resulting risk to international peace and security."

President Dos Santos is also seeking normalisation of relations with the U.S., which does not recognise his Government.

AP

U.S. agrees foreign aid Bill, Page 4

Liberian debts rescheduled

PARIS—Liberia's major Western creditor governments have agreed to reschedule payments on the country's long term and medium term official debts due over the next 18 months, amounting to under $100m, diplomats said.

The agreement was signed after two days of talks at the Paris Club, which brings together creditor and debtor countries to handle rescheduling of government to government and government-backed debts.

The diplomats said the agreement covers debts contracted before January last year, and the new terms allow repayment over nine years with four years' grace. A year ago the Paris Club rescheduled $34.4m of Liberian official debt payments originally due in the two year period to July 1982.

Reuter

AMERICAN NEWS

$11.4bn foreign aid Bill in final Congress stages

BY DAVID BUCHAN IN WASHINGTON

THE U.S. Congress was yesterday on the verge of passing its first proper foreign aid Bill since 1979. The Bill provides $11.4bn (£5.9bn) in 1981-82, with continued U.S. funding for the World Bank, removal of the ban on bilateral military assistance to Pakistan, Argentina and Chile, and maintenance of a similar ban on aid to anti-Government guerilla groups in Angola.

In a trade-off, the Administration and Republican-controlled Senate acquiesced in continuation of the Clark amendment barring military aid to pro-Western guerillas in Angola, in return for agreement by Democratic leaders in the House of Representatives to lift prohibitions on military aid to authoritarian Governments in Chile, Argentina and Pakistan.

Negotiators from the Senate and House agreed the main outline of the Bill, and all that remained yesterday was approval by the full House membership, after the Senate voted late on Tuesday by 55-42 in favour.

U.S. foreign aid, both bilateral and multilateral, has been continued since 1979 by a series of "continuing resolutions" in the absence of fresh legislation. It has thus barely risen even in nominal terms, let alone real terms, in the past three years. The new Bill would put an end to this stagnation.

The Bill would provide $700m to the World Bank's soft loan facility, known as the International Development Association, in the current year. This is essential to keep the IDA fund going, because all other industrialised countries' contributions are geared to what the U.S. does.

World Bank officials yesterday expressed relief that a U.S. contribution to the IDA had finally been agreed. But they noted it was less than the $820m which the Reagan Administration had originally asked for.

The effect of this is that funding for the IDA, which lends over 50 years at less than 1 per cent to the poorest Third World nations, will probably only reach $2.6bn in the year ending June 30, 1982, instead of the $4bn the World Bank had budgeted for.

The Bill contains $100m for Pakistan, a first small instalment of the proposed $3.2bn aid package which the Reagan Administration plans to give that country over the next six years. Conditions tying this aid to Pakistan's refraining from developing a bomb in its nuclear programme proved a controversial issue in the foreign aid debate.

The biggest recipients of U.S. aid under the Bill are Israel, which alone stands to get $2.2bn in the current year, and Egypt, reflecting the large U.S. stake in the Middle East.

Shift to Republicans halted

By Our Washington Correspondent

THE RECENT DECLINE of President Reagan's personal popularity has reversed the shift of Americans earlier this year into the Republican Party, according to a Washington Post-ABC poll released yesterday.

In the latest survey, 23 per cent of those interviewed identified themselves as Republicans and 39 per cent as Democrats. The rest considered themselves independents or of no affiliation. This contrasted with a February poll in which a quarter said they were Republicans and 32 per cent Democrats.

It is scarcely surprising that Mr Reagan's own standing should have an effect on party allegiance. While he rode high in the polls—until mid-summer—he appeared to be carrying some Democrats and independents into his own Republican Party. This trend has now been reversed.

But the significance of the latest polls is debunking some Republicans' claims that the 1980 election was a political watershed realigning the two main parties, and that Republicans are on the verge of replacing the Democrats as the majority party in the U.S. It is, however, far too early to predict the outcome of next year's mid-term congressional contests, let alone the 1984 presidential race.

ICAO expected to denounce Pretoria over Seychelles hijack

BY ROBERT GIBBENS IN MONTREAL

THE COUNCIL of the International Civil Aviation Organisation is today expected to pass a resolution condemning the hijacking of an Air India airliner in the Seychelles on November 25 and the alleged harbouring of criminals by South Africa.

After a preliminary meeting on Tuesday the ICAO council decided to bear a request by the Seychelles Government for an international inquiry into the hijacking.

According to the Seychelles a group of 44 mercenaries took over an Air India Boeing 707 at Mahe airport and forced the pilot to fly to Durban with all the passengers. The Seychelles authorities have accused the South African Government of a "blatantly irresponsible attitude in dealing with the criminals."

South Africa is a signatory of international conventions on hijacking which require states to extradite offenders or to prosecute them for a serious offence. The Seychelles Government has claimed jurisdiction over the hijackers and insists that they be sent back for trial.

South Africa maintains that it is not clear that the aircraft was hijacked as defined by international conventions. Thirty-nine of the mercenaries were released without being charged and five were charged with the lesser offence of kidnapping.

The ICAO council meeting today is expected to pass a resolution expressing outright condemnation of the incident on the grounds that international aviation regulations were violated. It may also recommend a full ICAO assembly debate of the issues next March although this would effectively delay the Seychelles request for an international inquiry.

Change of emphasis by Clausen

By Our Washington Correspondent

THE WORLD BANK'S president, Mr A. W. Clausen, has decided to switch several dozen of the international agency's economists from theoretical to operational work dealing with specific sectors and regions in the Third World.

This is the first management shake-up by Mr Clausen since he took over as president in July. It is aimed at concentrating more attention on sectoral problems in developing countries and a little less on macro-economic analysis and projections.

One catalyst behind the changes, announced this week in an internal letter circulating inside the bank, is the impending retirement of Mr Hollis Chenery, the vice-president for development policy. Mr Chenery, closely identified with the former president, Mr Robert MacNamara, had announced that he would leave early next year to teach at Harvard.

Mr Clausen is expected at a Press conference today to elaborate on his new style of management, which is also believed to include a move towards greater decentralisation of decision-making. He was head of Bank of America, until he took over from Mr MacNamara on July 1.

Reagan acts in savings crisis

BY DAVID LASCELLES IN NEW YORK

THE REAGAN Administration has been forced to respond to the crisis in the U.S. savings and loan industry by delaying plans to lift ceilings on interest rates payable on various savings accounts.

Several thrift institutions have been driven to the verge of insolvency by recent moves to abolish or ease long-standing interest rate ceilings because this has greatly boosted their cost of funds, and brought them huge losses. In New York alone, more than half a dozen banks have been merged to keep them alive, and regulators warn that more distress mergers are on the way.

The Administration, which started out in favour of deregulation, now thinks the process should be put on ice to give both it and Congress more time to consider the issue.

The Administration's position was put by Mr Donald Reagan, the Treasury Secretary, to a meeting of the Depositary Institutions Deregulation Committee, which was set up by Congress in 1980 to eliminate interest rate ceilings by 1986.

The committee comprises the heads of the Federal Reserve Board, the Federal Home Loan Bank Board, the Federal Deposit Insurance Corporation, and the National Credit Union Administration, as well as the Treasury Secretary.

The Administration's shift of position has been warmly welcomed by the savings and loan industry. But it came as a bitter disappointment to the commercial banking industry, which wants to be able to offer savings rates which compete with new instruments like the high-yielding money market funds.

The interest payable on the basic type of savings account is only 5.5 per cent, though longer-term accounts pay more.

Levesque challenged to resign

BY VICTOR MACKIE IN OTTAWA

THE ROW between separatists and moderates in Canada's Parti Quebecois has taken a new turn with the resignation of an important partiy organiser who called on Mr Rene Levesque, partiy leader and Premier of the province, to do the same.

Mrs Therese Fortin Gagnon, president of the party's 34,000-strong regional organisation in Quebec City, said on quitting office, that the party was not getting anywhere. The time might have come to look for a new party really dedicated to independence for Quebec or for a new leader such as Mr Bernard Landry, Quebec Minister of Economic Development, or Mr Jacques Parizeau, the Finance Minister. Both are considered hardliners in the pursuit of sovereignty for Quebec.

Differences within the party came to a head on December 6 when a party congress ditched Mr Levesque's policy of seeking sovereignty for Quebec in economic association with the rest of Canada. Instead the conference called for sovereignty without qualifications to be proclaimed if the party won the next election due in 1984 or 1985.

Mr Leveresque is trying to re-establish his authority by holding a referendum on the issue next February among the party's rank and file—many of whom are not separatists at all. Mrs Fortin Gagnon denounced this proposal as "second rate vauderville" and "an immense marketing operation" for Mr Levesque and his followers.

On the strength of the available polls, Mr Levesque is Quebec's second most popular politician, some way behind the federal Prime Minister, Mr Pierre Trudeau. Mr Levesque led the Parti Quebecois to power in 1976 on a programme which carefully excluded any immediate bid for sovereignty.

His policy received a severe setback last year, when Quebec voters, in a referendum, refused him authority to try to negotiate sovereignty-association.

Mr Levesque's authority within the party has been further shaken by financial difficulties and by his handling of the dispute about constitutional reform in Canada.

Satellite paper planned

WASHINGTON—The Gannett Company, owners of a major U.S. newspaper chain, has announced plans to publish a morning newspaper by satellite in almost all parts of the U.S. from late 1982.

Mr Allen Neuharth, the chairman, told a Press conference that the newspaper, USA Today, would be transmitted from Washington to 15 major metropolitan areas. It would sell at 25 cents and contain sports, financial and general news.

WORLD TRADE NEWS

REGULATIONS MAY BE AMENDED

Japan import testing move

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

JAPAN will put together by the end of January a list of measures for the improvement of import testing procedures, a meeting of Cabinet Ministers concerned with economic affairs decided yesterday.

The tests likely to be affected include those on chemicals and pharmaceuticals, which have been a bone of contention between Japan and its Western trade partners. Legal amendment may be necessary to existing regulations.

The Ministers also decided on a programme of emergency imports which will include stockpiling of rare metals and a 1.5m kilolitre increase in the Government oil stockpile. Import of aircraft for leasing back to foreign airlines is not included.

A decision on the lowering of Japan's whisky tariff, to which the Government committed itself two weeks ago, is expected to be made by the end of this week, although the new tariff will not take effect until April 1 next year.

Another move by the Government is a decision to review residual import restrictions, including the beef quota. A larger beef quota would be welcomed by the U.S.

In announcing its proposals, the Economic Cabinet admitted that things had not gone as planned since its last meeting on October 2.

At that meeting, Ministers announced the new estimate of $7bn (£3.7bn) for Japan's current year 1981.

Dow and Romania sign protocol

BY JOHN WICKS IN ZURICH

A growth of 40 per cent in the volume of two-way trade to some $40m (£21m) next year is foreseen by a protocol signed this week in Bucharest between Dow Chemical Europe and Chimimport, the Romanian trading organisation.

The protocol forms part of a five-year agreement signed last year and covers the sale by Dow of its inorganic, organic and intermediate chemicals, resins, plastics and agro-chemicals.

According to Mr Tom Orley, general manager of the eastern region of Dow Chemical Europe, the expansion of group activities in Romania has been made possible by "the adoption of counter-trade as an additional method of conducting business in the country."

This provided greater flexibility for Dow and enabled the Romanians to achieve a better import-export balance.

"While the problems of financing business in Eastern Europe are significant in today's environment, we believe there are prospects to enlarge trade co-operation," Mr Orley added.

A spokesman for Dow Chemical Europe said in Switzerland yesterday that the barter products to be supplied by Romania would be "chemical products related to Dow operations."

UK backs exports, says Biffen

BY PAUL CHEESERIGHT, WORLD TRADE EDITOR

MR JOHN BIFFEN, the Trade Secretary, yesterday made clear that the emphasis of UK trade policy is to provide Government support for the proven strength of exporters rather than concentrating on the protection of industrial lame ducks by general import controls.

"We have been seeking to develop a positive but cost effective trade policy whose starting point is our established export strengths rather than our sectoral industrial weaknesses," he told the North-West Surrey Conservative Association in London.

Mr Biffen sought to distance himself from Labour Party thinking, saying "the introduction of the kind of centralised highly protected economy now officially favoured by the Opposition would operate to our detriment."

But at the same time, he qualified his support for the open trading system arguing that although nations have historically supported the free market system, "this has been to the extent that they have judged it consistent with their own political and economic interests."

UK interests at present have led to departures in textiles, steel and motor vehicles. Occasions may arise in the future which "could necessitate other temporary restrictions or voluntary restraint arrangement," he said.

Nevertheless, with exports representing 30 per cent of gross domstic product it is in the UK's interest to support the maintenance of the liberal trading system," he said.

Mr Biffen linked the development of trade policy to help for manufacturing employment.

W. Germany in Indian steel offer

NEW DELHI — West Germany has offered to build a major steel plant in India and develop its coal industry, Count Otto Lambsdorff, Economic Affairs Minister, has said.

He said he had discussed prospects for West German co-operation in building a steel plant in southern India with Mrs Indira Gandhi, Indian Prime Minister.

He had also offered to develop the Indian coal industry and supply aircraft for the country's domestic airline.

India's economic climate favoured higher West German investment, now at DM 203m (£41.3m), he said. Foreign investment was the best way to transfer technology from an industrial state to a developing country, he added.

Count Lamsdorff, who was in India for a two-day visit, said India had bought two conventional submarines from West Germany to strengthen its naval fleet. He said the West German cabinet approved the sale last July, but the two countries signed a formal agreement on Friday. He gave no further details.—Reuter

Davy wins steel orders from New Zealand

By James McDonald

MORE THAN £30m worth of engineering contracts for a £218m New Zealand steel plant project will be placed in the UK by the end of next month—many in the north-east of England. They will be the first result of a contract signed in London yesterday between Davy McKee (Minerals and Metals) and New Zealand Steel Development.

Davy McKee—part of the Davy Corporation—has been appointed project manager and engineer for the first £218m stage of New Zealand Steel Development's expansion of its primary and steel-making facilities at its steelworks at Glenbrook, South Auckland.

The management-agency contract with Davy McKee is worth between £14m and £15m, said Mr Alan Cameron, chief executive of New Zealand Steel Development, at the signing ceremony yesterday.

Sir John Buckley, chairman of Davy Corporation, said that the total value of orders placed in Britain for this stage of the New Zealand project, which will be completed in 1984, could reach £50m. Davy McKee will assess and evaluate bids for work on the plant and will make recommendations to New Zealand Steel Development which will then place the contracts.

Credit arrangements for the New Zealand project are being handled by Manufacturers Hanover of London, with credit facilities up to £50m being made available in the UK for engineering and equipment.

This first stage of the expansion project at Glenbrook will raise output of the plant from 150,000 tonnes a year to 770,000 tonnes a year. The second stage of the project, which will cost about NZ$300m (£133m), will involve installation of hot and cold rolling and finishing processes and both stages should be completed in about four years, said Mr Cameron.

About six companies, including Davy, were competing for the project management contract for the second phase, Mr Cameron added. "We hope to make an announcement in the first quarter of next year."

British companies in line for Peruvian deals

BY PHILIP MARVIN

A 25M package consisting of a £20.5m ECGD buyer credit and £4.5m from the UK Overseas Development Administration is being put together to finance a mini-hydro electrification project in Peru involving Balfour Beatty.

This follows the recent visit to London by Sr Pedro Kuczynski, the Peruvian Energy Minister who was discussing possible involvement by British companies in a variety of major Peruvian development projects. British exports to Peru amounted to only £46.5m in 1980 but are expected to rise significantly.

Sr Kuczynski said that although the hydro financing was probably the only certain *development* at present, he expected several agreements in other sectors to be reached in the next few months.

Balfour Beatty is nearing the end of a feasibility study identifying 25 suitable sites for the mini-hydro stations and is expected to win the contract for the supply of the stations, once the financing issue is settled. The ODA has called for submission of further evaluation of the developmental benefits to Peru, before giving the go-ahead.

British concerns have a good chance of winning contracts under Peru's railway, port and mine development programmes in the short- to medium-term, while there would also be long-term opportunities under plans to expand production of steel and to develop coal resources as well as to participate in the vast electricity programme on which $5bn is to be spent over the next decade.

Sr Kuczynski is also keen on attracting more non-U.S. oil companies to explore for oil in the country and has held talks with British Petroleum.

The government was on the verge of reaching agreement with France's Elf Aquitaine on an offshore block and with Hamilton Brothers of the U.S. on another jungle block.

Occidental and Belco, the two present private sector oil producers will have invested some $350m in exploration and development this year and will top $400m next year. The country will increase oil production from the present 200,000 b/d of which 60,000 are exported to about 240,000 b/d next year of which close to 100,000 will be exported.

In the mining sector, where British companies hope to supply equipment for several major developments, the minister singled out the $437m (£224m) Cerro Verde II copper mine development project as his main concern.

British hopes on this however, have been dashed partly by the recent choice of Kaiser Engineers International of the U.S. as the project manager who managed to beat off the challenge of Selection Trust.

The next step planned for *Cerro Verde is to* find a buyer who will take part of the mine's output in exchange for a long-term low-interest loan, "to help us to capitalise the project so we don't rely excessively on commercial type borrowing." He said tenders would be going out soon for £50m of hardware needed in the project.

Bre-Metro is hopeful of clinching in the next few months an £11m deal with Enafer, the state railway company, for the supply of 200 mineral wagons and 200 advanced technology cross braced bogies. Meanwhile, Hawker Siddeley Rail Projects heads a consortium chasing a contract involving the modernisation of the central and southern railway. The company is hoping to tie up a $150m "financial package" in the next few weeks.

In the area of port expansion and modernisation, George Wimpey International recently won a £6m contract for studies and repair of the Matarani wharf in southern Peru.

Peru, however, is running into problems in atempts to raise money under the ten-year terms it has been demanding. There has been little interest in the $115m syndicated loan for the Tintaya copper mining project and more recently in a $300m seven-year eurocredit. But Sr Kuczynski insisted that bankers' doubts about the country were unjustified. "We've turned the corner on debt servicing and we have a tremendous export potential."

Hugh O'Shaughnessy, recently in San Salvador, examines the problems besetting President Duarte

El Salvador faces prospect of a long drawn-out war

"CHEER UP, things could get ... more slowly," says a ... in English in the office ... Sr Atilio Vieytes, the Salvadorean planning minister. "It's my motto," he remarks cheerfully.

It certainly needs a sense of humour and a good deal of vision to be a minister in the government of President Jose Napoleon Duarte these days. The civil war being fought between Sr Duarte's government and left wing insurgents is claiming the lives of well over 1,000 people a month in this tiny country the size of Wales, and shows no sign of victory for either side. The economy is dependent on a complex life support system organised by the U.S. government. If the life support system falters the economy could collapse. It could collapse anyway.

Contrary to appearance it is the economic threat posed by the left wing insurgents rather than the military threat they represent that puts President Duarte's junta in the greater jeopardy. After two years of left wing insurrection only a confirmed visionary can see much hope in El Salvador's medium term future.

The exact state of the economy is a matter for controversy. The gross national product fell 8.5 per cent last year. The Government suggests that with luck it could climb back to zero growth in 1982 the U.S. embassy says that the bottom of the curve is being reached and upwards is the only way to go. The church-run Universidad Centroamericana (UCA) says the worst is still to come. One senior banker said he trusted the letter insofar as he trusted anyone's figures.

No one denies however, that private investment is virtually nil, business confidence is at a low ebb, foreign debts are mounting—albeit from a low base—and Government urgently needs foreign aid. Not all the travails are due to the action of the Left-wing guerrillas. Low prices for El Salvador's main exports, coffee, cotton and sugar compounded with the world depression and the crisis in the Central American Common Market, formerly an eager buyer of the country's manufactured goods, would have dimmed Salvadorean economic prospects.

What would have been a crisis has this year been turned to something close to disaster by the actions of the 6,000 FMLN guerrillas and their civilian associates, the FDR or Revolutionary Democratic Front. The blowing up of scores of pylons and attacks on power stations have resulted in grave power cuts whose results have ranged from tons of shrimp rotting in crippled cold stores to the shut down of factories. Communications with the eastern third of the country have been impeded by the dynamiting of the Puente de Oro, the principal bridge across the River Lempa.

Consequently per capita GNP will probably drop by more than 20 per cent this year which means it will be down a total of 38 per cent on 1978. The proportion of the work force which has permanent employment is put at no more than 38 per cent.

Fixed capital investment which in 1979 reached nearly $100m is now down to less than half of this figure which means that not even depreciation is being covered by new money.

The rate of inflation this year, according to government calculation, will be no more than 20 per cent at worst, but UCA suggests that the real level could be 54 per cent.

In such a situation President Duarte is forced to have increasing recourse to the U.S. Government. Washington is desperate for him to succeed and the State Department is doing everything it can to help him financially, not just with government-to-government loans but with assistance to bolster up a wilting private sector.

In fiscal 1981 the U.S. Government spent $133m in civilian aid and in fiscal 1982 this figure could near $200m. Military aid in fiscal 1981 was $35.4m and this will almost certainly rise. The State Department is not without its difficulties in the U.S. where many legislators are suspicious of a Vietnam-type involvement, where the churches are often strongly opposed to further help to President Duarte and where budget-cutting has precedence over foreign aid, however worthy the recipient.

The U.S. government is therefore using every art of persuasion to get the international lending agencies to pitch in dollars and to convince governments sympathetic to the Duarte junta to help out. In the year to date the World Bank should have put in some $77m, despite the fact that for months it suspended disbursements because the security situation would not allow it to oversee the projects it was funding. The International Monetary Fund has put in $123m despite the fact that the Duarte junta is working with what are effectively dual exchange rates and an overvalued currency while the Inter-American Development Bank, very reliant *now on the good will of* Washington for new capital resources, has put up $102m.

The U.S. and the Duarte government are hoping that the levels of multilateral aid will be maintained or raised and expect that more money will come in from Argentina, Uruguay and Venezuela. Thus the $300m that President Duarte says he needs next year should be met. The Central Reserve Bank, however, warns that the total the country will need over the next three years will be $1.2bn. This would represent $80 a year for every man, woman and child til the end of 1964. The international agencies are also being asked to swallow hard and finance such things as manufacturers' imports of raw materials.

While the U.S. Government does its best to keep the Salvadorean economy afloat it lends powerful support to the efforts of President Duarte to beat the insurgents militarily and to hold credible elections for a constituent assembly in March.

Military aid, as audited in fiscal 1981, came to $35.4m and President Reagan hopes to almost double that figure in the the coming year.

As President Duarte struggles to prepare for the March elections Washington has been waging an international diplomatic battle to mute growing calls from the UN, the French and Mexican governments and many other quarters for negotiations to end the fighting.

It has also been trying to persuade foreign governments and institutions to recognise and observe the poll. Here there have been difficulties. President Duarte in his year in power has lost much of the popularity he enjoyed a decade ago when he was a much acclaimed Mayor of San Salvador. His failure to keep the armed forces from committing regular atrocities has lost him much support, particularly in the countryside.

The high murder rate and the recklessness of the army have put paid to whatever slim hope there once might have been that the centre and the left would participate in the March poll and thus make it a genuine test of public opinion. The legitimacy of the poll was further eroded this month when it was announced that it would be held without an electoral register.

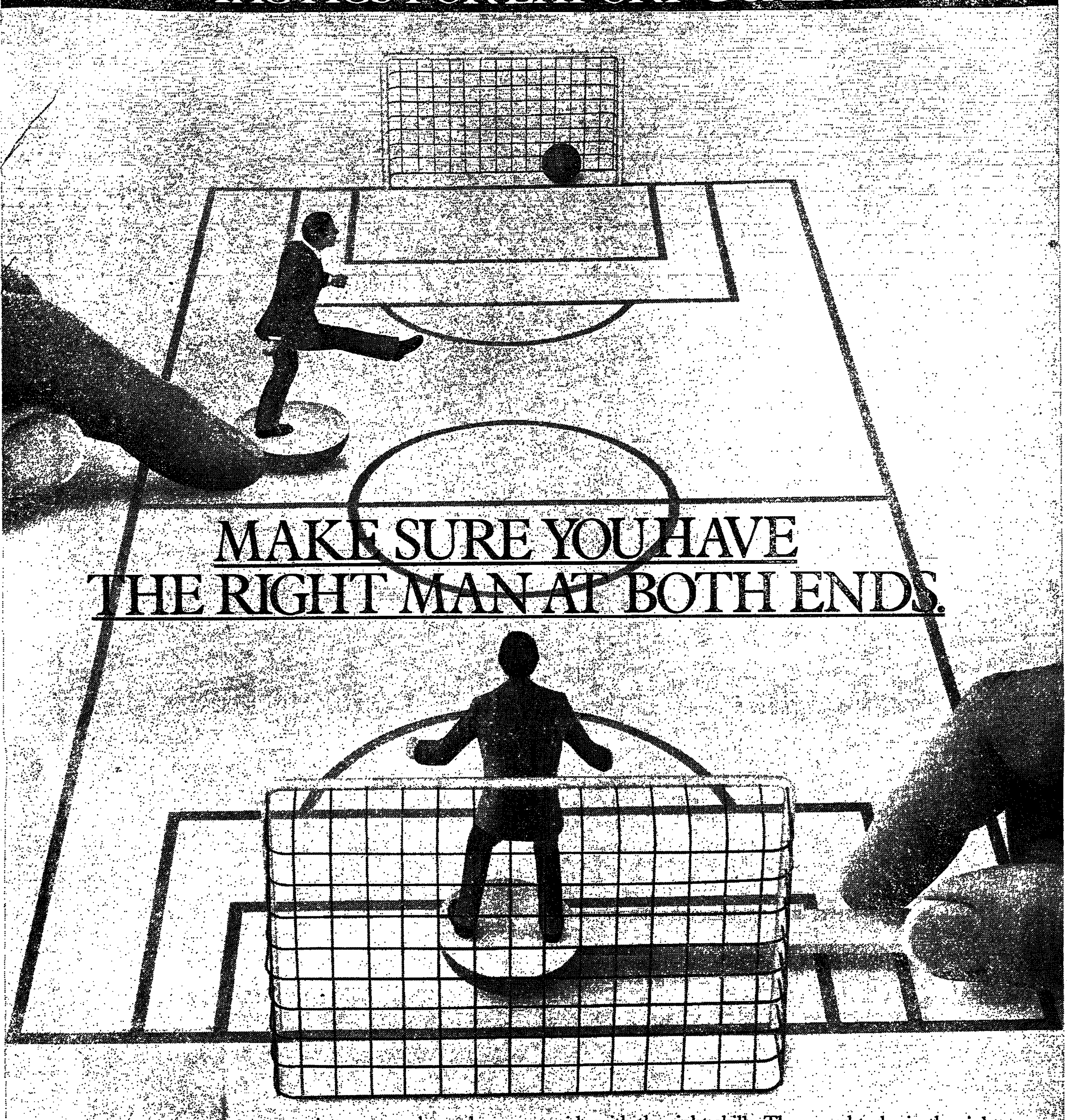
The wrecked Puente de Oro, dynamited by guerrillas.

At the same time the powerful Salvadorean extreme Right has turned against President Duarte. They blame him for not being even tougher with the insurgents and their sympathisers.

In such circumstances it is difficult to see how the March poll could give much legitimacy to the winner, whoever they were to be. At the same time, a negotiated settlement, the solution offered by the left and endorsed by a growing body of world opinion, seems almost as forelorn. The left is a precarious alliance of social democrats and Christian democrats on the one hand and an often deeply sectarian Leninist military wing on the other. It has in the past had difficulty on agreeing a unified line.

For its part the Right is also split. Negotiations between a well entrenched guerrilla movement and a right to which the U.S. has pledged its full support, would be unlikely to bring any easy compromise, such is the bitterness existing between the contenders. The prospect is that war, with consequent loss of life and money, will continue for a long time to come.

TACTICS FOR EXPORT GOALS.



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PEOPLE WHERE IT COUNTS.

UK NEWS

Krugerrand sellers face a tarnished Christmas

By David Marsh

THERE WAS precious little Christmas cheer yesterday for luckless gold investors trying to sell Krugerrands amid the dour surrounding of Hatton Garden, the heart of London's precious metals retail trade.

I spent a discouraging half hour yesterday morning trying to dispose of gold coins in jewellers' shops and small-time bullion dealers in the area (man yof them displaying prominent "Gold Wanted!" signs outside). I was offered prices as far apart as £197 and £223 for a one ounce South African Krugerrand.

Disheartened gold bugs wishing to unload in time for Christmas are definitely encouraged to turn to the main London bullion houses if they want a reasonable price.

Yesterday Mocatta and Sharps Pixley were offering £227 for Krugerrands—although Sharps has recently introduced a minimum dealing limit of 10 coins with the exception of regular customers "to discourage the itinerant trade."

Bullion house Johnson Matthey—which maintains a retail counter in Hatton Garden from 9.30 am to 2.00 pm was offering £225 for single Krugerrands.

Even that, however, is scant consolation for investors who plunged unwisely

into the market during the bullion buying spree of January 1980—when Krugerrands were selling at £370.

The bullion market—though still depressed—has rallied slightly this week as a result of nervousness over a possible Soviet invasion of Poland.

But, ironically enough, increased deliveries of Russian gold into western bullion centres have served as a powerful dampening influence on the price.

According to Mr Ken Tugwell, chief coin dealer at Johnson Matthey, Krugerrand-owners wishing to sell yesterday should have been offered at least £221—representing the basic gold value of their coins.

Instead, this was the picture in Hatton Garden yesterday morning:

● A basement shop trading under the name of Margo offered a rock bottom £197. To be fair, the man behind the counter was very reluctant to buy.

● The Vingt Trois jewellers shop, after hurried telephone advice, offered £200.

● R. Holt and Company were willing to buy at £215. "The price is dropping. That's bad for you. You'll never get £220."

● The best bets were at Pennellier (£223), London Gold (£221) and The Garden Workshop (£220—although the condition matters, the man said. "Tatty Krugers" would definitely fetch less.)

Creditors ask Doxford about cash balances

BY ROSEMARY BURR

M. L. DOXFORD, the London commodity brokers, has gone into creditors voluntary liquidation with an estimated deficiency of £2.857m. Four hundred and ninety-four clients are owed a total of £1.133m.

At a stormy three-hour creditors' meeting yesterday, several clients vigorously questioned Mr Michael Doxford, the company's chairman. Many waved statements sent to them by Doxford showing substantial cash balances on their commodity syndicates and asked where the money now was.

Mr Doxford replied: "The money is sitting in fixed assets." It was the company's repeated failure to sell its West End offices for £5.75m which according to Mr Doxford led to the company going into liquidation.

The company, which is now the subject of a Department of Trade inquiry, was set up seven years ago by Mr Michael Doxford and three colleagues. It specialised in the management of portfolio and discretionary accounts for private and institutional investors.

According to a statement of affairs drawn up by Mr Peter Copp, of accountants Stoy Hayward, the company's main creditor, Wilson, Smithett and Cope, a member of the Guiness Peat Group, will be repaid in full its loan of £5.351m as it was secured by a charge on Doxford's leasehold premises and other assets.

Investors, however, may not be paid more than 7p in the £ according to the statement of affairs. Clients who had placed money with Doxford since June were informed these funds had been put in a separate account, which has been included as one of the company's assets.

Creditors also learnt that Doxford had invested in companies specialising in power boats and illuminated moving display signs. Loans to subsidiaries of £876,000 are expected to realise £200,000 according to the statement of affairs. Investment in these subsidiaries has been written down from their book value of £102,000 to £60,000.

At its height in 1977, Doxford was managing clients' funds totalling £8m, but losses and withdrawals have reduced this figure. Mr Copp told creditors that Doxford had made "losses in the order of £1.5m" trading in its own account during its life.

Despite brokerage fees of nearly £13m the company only made a net profit in one out of its seven years. Directors' remuneration over the period totalled £558,000.

Promotional expenditure during the life of the company amounted to £150,000 and sponsorship over the same period accounted for £400,000.

The directors gave five reasons for the company's failure. First, in earlier years there was an inability to monitor transactions when market conditions were hectic as they did not have a computer. Second, bad trading in difficult markets resulted in losses on both the company's account and its discretionary clients' accounts, some of which the company absorbed as these exceeded the original amount of client capital subscribed.

Third, substantial bad debt. Fourth, in later years reduced turnover and high interest rates. Fifth, the inability of the company to dispose of its property and other assets which was seen as a solution to its liquidity problem.

ERF wins heavy-trucks orders worth £4m

By John Griffiths

ERF, the Cheshire-based heavy-truck maker, will be on full-time working for the foreseeable future after winning £4m-worth of orders for 180 trucks, announced yesterday. They include the biggest single order—for 70 units worth £1.5m—ever placed by Wincanton Transport, the Somerset haulage group.

The orders, all domestic, follow by two weeks ERF's Middle East advance made with a £5m Saudi Arabian order for 130 extra-heavy-duty trucks.

They come when the commercial-vehicles industry is still heavily depressed, with registrations of trucks over 3.5 tonnes down nearly 30 per cent in the first 11 months of this year compared with 1980. November saw a small upturn, however, raising hopes the recession may be ending.

ERF's full-time working has been at a heavy cost in jobs. It now employs 850 only at its Sandbach plant, about half the early-1980 level.

Denning guides banks on Mareva pitfalls

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

GUIDELINES to help banks to avoid committing contempt of court when faced with Mareva injunctions were given by the Court of Appeal yesterday.

A Mareva injunction, which takes its name from the case in which it was first granted in 1975, has become one of the most widely used court orders.

It enables a creditor to restrain a debtor from dissipating his assets within the UK, or removing them from the jurisdiction, so frustrating any judgment which may be made against him.

Lord Denning said that a Mareva injunction had been granted in a case involving a fraud on an unnamed foreign company.

The five clearing banks were innocent third parties, joined as defendants because the main defendants were alleged to have "salted away" about £2m in the banks. They asked the court to clarify their position when served with notice of the injunction.

Once a bank was given notice, it must freeze the account against which the order was directed.

It would be unlawful for a bank to honour any cheque drawn by the debtor defendant, whose mandate to the bank was automatically annulled when the bank received notice of the injunction.

The injunction did not prevent payment under a letter of credit or bank guarantee, and a bank had to honour credit cards used by the defendant.

A bank was entitled to be indemnified by the plaintiff if exposed to any liability or expense incurred in complying with the injunction.

Lord Denning said that the judge granting the injunction might require the plaintiff to give an undertaking to ensure that the bank did not suffer by having to assist the course of justice.

In view of the impact of the Mareva injunction on banks, the judge should be told to which banks it was proposed to give notice.

Government increases Waterways Board grant

By Lynton McLain, Transport Correspondent

MR MICHAEL HESELTINE, the Environment Secretary, has taken a step towards easing the financial problems of the state-owned British Waterways Board, by raising grants substantially to enable urgent repair work.

The board has been pressing successive governments for more than a decade for a substantial increase in funding to allow it to carry out its statutory duties of maintaining the canals in a safe and working condition.

Comparison

Mr Heseltine has increased the non-repayable grant to the board by 22.6 per cent in cash terms to £37.9m for 1982-83. The increase rises to a third when the proposed new grant is compared with the expected grant of £28.5m (at 1980 prices) forecast for the current financial year which ends in March.

This increase, believed to be a record for the canal operator was a "recognition of the very real problems the industry has got: tremendous problems of maintenance and repair," the Environment Department said yesterday.

Despite the scale of the increase, it still leaves the board desperately short of the funds needed to maintain canals. The board finished last year with arrears in maintenance, and other items needed to fulfil statutory obligations, amounting to £120m at 1980 prices.

Cuts in government grants last year forced the board to curtail its planned programme of repairs. Canals collapsed in places and this year two people were killed while carrying out belated repair work.

Public spending

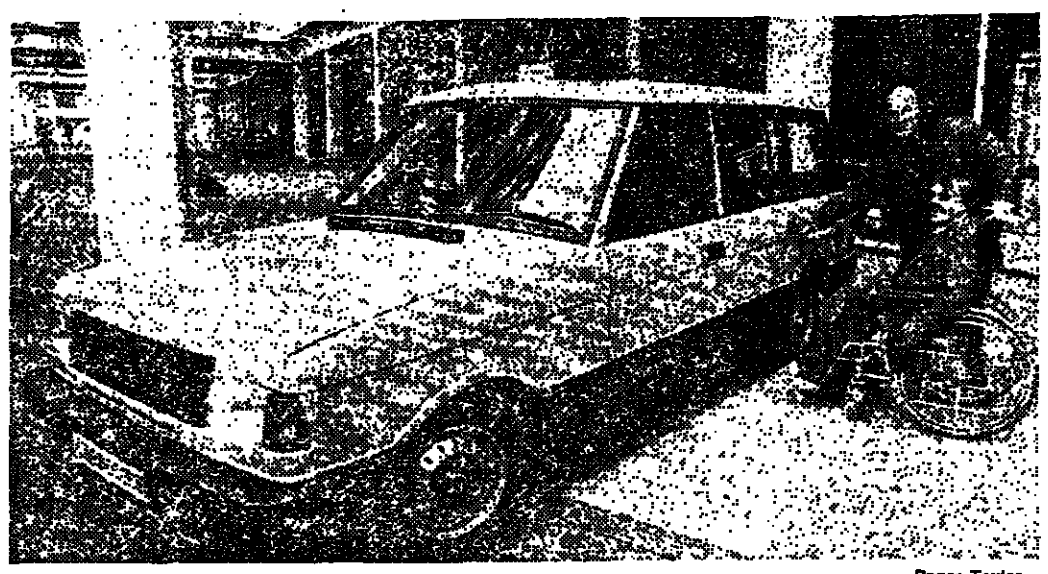
The increase in grant for the next financial year was accepted by the Treasury in time for the Chancellor's statement on public spending and the economy two weeks ago. The Environment Department, however, decided not to issue a statement about the new grant then, because of the "greater interest" in Mr Heseltine's proposals for local government finance.

The Government left British Waterways to make the announcement and yesterday Sir Frank Price, chairman of the BWB, welcomed the extra grant increase.

"Because of cuts in public spending generally, the board are operating with less finance in real terms than in 1978," Sir Frank said.

He described the decision by the Government to increase the grant as "an important step in the right direction." "Nevertheless, the board intended to continue to press for a "proper and assured level of finance to enable us to carry out our statutory responsibilities."

The board had told Ministers that it preferred a 10-year rolling programme of works as the way to tackle the substantial arrears of maintenance."



Roger Taylor

The famous black London cab is to be gradually replaced by a new taxi manufactured by Carbodies of Coventry. Racing driver Stirling Moss helped launch the prototype which can carry a passenger in a wheelchair. The CR6, designed for left and right hand drive, offers considerable export potential for Carbodies.

Taxi drivers yesterday indicated that while they were quite fond of their FX4s, they would welcome a cab offering less spartan accommodation for the driver and higher speeds on motorways—"the FX4 shakes the driver like mad much above 50," said one. He described the new cab as "a sort of cross between a Range Rover and a milk float."

Editors must wait for court ruling

TWO Fleet Street editors facing contempt of court proceedings over articles published during the mongol-baby trial of Dr Leonard Arthur, who was acquitted of murder, will have to wait for a ruling from the High Court.

Three judges yesterday reserved their decision on applications by the Attorney-General for such orders or other penalties against Mr David English, of the Daily Mail, and Sir John Junor, of the Sunday Express, and their publishers. The judges hope to give a decision by next Monday.

Argos stores to trade on Sunday

THE ARGOS discount-stores chain yesterday announced it intends to become the first national stores group to open for Sunday trading, in the face of possible legal objections. It intends to be open from 10 am to 5 pm next Sunday in its 116 stores.

The move is to recover trade lost by bad weather. It says its trade last week was 21 per cent down in value terms compared with last year, because of conditions. Before the bad weather struck, sales were about a quarter higher than last year.

B & Q chief joins Woolworth board

MR DAVID QUAYLE, who last year sold his B & Q do-it-yourself retail chain to F. W. Woolworth for £16.6m, is giving up direct links with the company he helped found. Woolworth said yesterday he was relinquishing his non-executive chairmanship of its B & Q subsidiary to become a non-executive director of Woolworth's main board.

Sally the Viking to raise fares

AVERAGE FARE levels are being raised slightly for 1982 by Sally the Viking Line, the Finnish-owned company which entered the cross-Channel ferry market in June. Its high-season fare will be £30 for a one-way car trip, compared with this year's £24 in the week and £34 at weekends. Sailings, suspended over the winter, resume in May.

Sally has lost more than £1m on its Ramsgate-Dunkirk service. It is adding a ship to double capacity and is contributing to Ramsgate harbour authority's dredging of the silt-prone harbour next year.

Banks use Act to cut post-tax borrowing cost

BY TIM DICKSON

MAJOR UK banks are using a little known section of the 1970 Taxes Act increasingly to help minimise the post-tax cost of corporate borrowing.

The scheme has come to light at a time when the Government is under considerable pressure from certain business lobby groups to reduce the burden of interest rates on UK companies, particularly small and medium sized enterprises.

The key to this method of borrowing is to be found in Section 233 (2) (d) (III) of the 1970 Income and Corporation Taxes Act. Under this section, interest on a loan which fluctuates with the results of a company qualifies as a distribution of profits and therefore arrives in the hands of the bank as franked income, the company having paid advance Corporation Tax.

This is a particularly suitable arrangement where a borrower has insufficient taxable profits against which to offset expenses.

In these circumstances it can be attractive in post-tax terms for the company to pay its interest by way of a dividend, even allowing for any write-offs of irrecoverable ACT arising from the payment of such a dividend.

This is because the lender can offset the distribution, being franked income, against its own Corporation Tax bill.

According to leading accountants, this saving is being split between the lender and the company, so that the company's "interest" bill can be shaved by between 2 and 3 percentage points if the "normal" interest rate was, say, 15 per cent.

Banks are reluctant to discuss the scheme because they are worried that they may not have enough taxable capacity to satisfy demand.

Under the scheme part of the interest payable by the borrower has to be related to results. There are therefore commonly two elements to the repayment, a "base" rate equivalent to that rate where the tax saving is shared equally, and a floating element dependent on sales.

The latter usually gives rise to a very small variable interest element which is insignificant in the context of the overall interest charged.

Power board takes stock in face of pit strike threat

By Martin Dickson

HOW LONG could Britain's electricity supply system hold out against a miners' strike early next year?

Ministers must be asking themselves this question as the mineworkers' union prepares for a special delegate conference tomorrow. The conference is widely expected to endorse the leadership's recommendation to reject the Coal Board's pay offer.

The issue must then be put to a pithead ballot and a strike is a distinct possibility.

The Central Electricity Generating Board, which relies on coal for more than 80 per cent of the power it produces, can take some comfort from the fact that its coal stocks are higher than they have ever been at this time of the year: 18.5m tonnes.

That is about 1m tonnes more than in 1980 and compares with 12m tonnes at the start of the 1974 miners' strike which led to the three-day working week.

Rough calculations suggest that as the Generating Board burns about 1.7m to 1.8m tonnes of coal in an average winter week, it could hold out for a good 10 weeks.

However, there are a wide variety of other factors to take into account.

The period could be reduced if the severe weather of the past week returned in the New Year, pushing the demand for power above the seasonal average.

Furthermore, while the board expects the coal stocked on its own ground to be moved to power station boilers by CEGB staff, it cannot be certain what its employees would do if the miners were to put on pressure.

The board could eke out coal stocks by making greater use of its oil-burning power stations which currently run for only two shifts a day because of the high cost of fuel.

The time could also be lengthened if the Government moved rapidly to impose power rationing or companies and individuals voluntarily decided to cut demand.

Whatever the outcome, CEGB leaders make no secret of their view that a stop in coal deliveries would put at risk an agreement they have with the Coal Board to buy at least 75m tonnes of coal a year. This agreement is conditional on the Coal Board limiting its price increases to less than the rate of inflation and delivering regular supplies.

The CEGB says that because of reduced power demand—sales this year will be only 208 terawatt (million million watt) hours of electricity compared with 212 Twh last year—it does not need all the 75m tonnes of coal. Nevertheless it is sticking to the agreement because of the price leverage it gives over the Coal Board.

However, the agreement could also be put at risk if the NCB buys off the miners with a high wage increase that has to be met by increased prices.

The CEGB has negotiated a 7.5 per cent price increase for the coming year—well below the rate of inflation—and would baulk at anything higher.

The alternative to British coal is imports which are marginally cheaper for some Thames-side power stations. The Generating Board, however, has agreed to limit its imports to 750,000 tonnes this year as part of a government package to keep loss-making UK pits open.

The CEGB has nearly 1m tonnes of Australian coal stocked on the Continent which was bought before the import restrictions. Nevertheless, it holds out no hope of importing this in the heated atmosphere of a miners' strike.

Other areas of British industry that rely heavily on coal—such as the steel and cement industries—could be hit by a strike earlier than the CEGB. Much would depend on what stocks the companies and intermediate coal trades held—many of them taking weekly deliveries.

Because of the recession total UK coal stocks, at 42m tonnes, are currently the highest they have ever been relative to production and represent 16 weeks of national output. Much of that, however, is held by the CEGB and more than 21m tonnes at Coal Board pitheads where it would be frozen in the event of a stoppage.

Threat of International Chamber rift over MFA

BY NICK GARNETT, NORTHERN CORRESPONDENT

THE Manchester Chamber of Commerce threatened yesterday to pull out of the British section of the International Chamber of Commerce in an argument over the Multi-Fibre Arrangement.

The Manchester Chamber, representing 3,000 companies, including several hundred textile manufacturers, said it was "disgusted" by a paper, prepared by the international chamber which called for an end to the MFA after the new Arrangement now under negotiation is terminated.

In a letter to the British National Committee of the ICC, Mr Hamish McDonald, president of the Manchester chamber, said the ICC should not interfere in matters which did not concern it.

"Frankly, we do not believe that the ICC is the appropriate forum in which to prepare a paper on a matter relating to a particular sector of industry. It is not representative of sections of industry and should not be."

"We cannot understand how the ICC came to involve itself so deeply in an issue on which, in our view, it is not competent to pronounce."

The British National Committee said yesterday that it had dissented from the idea of the ICC issuing such a statement.

Energy conservation decision

BY MAURICE SAMUELSON

THE GOVERNMENT has taken an important initiative on energy conservation by announcing its approval for Britain's second power station providing heat for industry and electricity for the national grid.

Tory MP Mr Jocelyn Cadbury, was told in a Parliamentary answer that approval had been given for a Midlands Electricity Board (MEB) plan for a £14m combined heat and power (CHP) station at Fort Dunlop, the large rubber products factory in Birmingham.

The plant with its two 12 megawatt generators powered by diesel or coal, will provide steam and hot water for Fort Dunlop and electricity for the EB's distribution system.

Mr David Mellor, parliamentary under secretary at the Energy Department, said it was estimated that this would be 35 per cent more efficient than Fort Dunlop's present arrangements for generating its steam and hot water by separate processes.

Last year the MEB opened the first plant of this kind at Hereford. The 15 Mw Hereford plant feeds power into the grid and enough steam and hot water for two companies employing 5,000 people.

The £5m capital cost of the Hereford project per kw of electricity produced compares favourably with that of a large conventional power station, without the additional bonus of the heat it also provides.

The Government is considering more ambitious stations to provide CHP for urban domestic heating as well as electricity. However, it has not yet committed itself to this and will decide in 1982 whether to carry out exhaustive studies in one or two trial cities.

Advocates of district heating will hail yesterday's Fort Dunlop decision as a step in the right direction. District heating is common in several other European countries but Britain, with its wide choice of fuels, has been a slow starter.

However, CHP is well established in Britain, with factories generating about 15 per cent of the country's industrial power needs.

SALEROOM

BY ANTONY THORNCROFT

Matsouki jewel bids succeed

THE JAPANESE dealer Matsouki, who was the underbidder on Tuesday when a Ming blue and white jar sold at Sotheby's for a record £720,000, had better luck at Christie's jewels sale yesterday. He acquired a diamond necklace for £26,400 and a diamond single stone ring, with a diamond of 5.93 carats, for £10,450.

Another oriental dealer, Chan, was also active, paying £23,100 for a pair of ruby and diamond collet and ribbon loop clip brooches and £2,000 for an antique ruby and diamond necklace.

Phillips in Leeds disposed of items connected with the Bronte family. Many failed to reach their reserves but a 17th century oak crib, known as the "Bronte cradle," sold for £400 and a set of four oak chairs raised £480. At Wallis and Wallis a collection of British military cap badges sold for £3,000 and fifteen pre-1881 military buttons for £105.

University warns about grants

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

ASTON UNIVERSITY has warned Ministers that their actions will reduce significantly the flow of graduates necessary to restore the health of Britain's economy.

Prof Frederick Crawford, the vice-chancellor, has written to the Chancellor and to Sir Keith Joseph, the Education Secretary, expressing deep concern that student grants will increase next September by only 4 per cent.

He says: "While we appreciate the necessity to limit public sector expenditure, and we accept that universities cannot be exempt from the current national financial stringencies, we consider that the decision on student grants is highly inequitable."

The 4 per cent increase fell far short of the effects of inflation on student living costs. Young people from working class families would be hit hardest.

"This group has already been under-represented in higher education for far too long, and the effect of the grant proposals can only be to reduce opportunities even further," he says.

Prof Crawford says that, when added to cuts already imposed on universities, the erosion of the maintenance grants would reduce significantly the flow of highly qualified graduates in technological universities, such as Aston.

"What ultimate savings can be achieved when young people, who would have continued in full-time education, must join the ranks of the unemployed, or displace others into unemployment?"

Prof Crawford warns: "The costs to Government and the nation of replacing productive graduates by unemployed members of the unemployed can only be far higher."

British consortium will bid for Nato air project

BY GUY DE JONQUIERES

A BRITISH consortium has been formed to bid for a £1bn project to build a sophisticated electronic surveillance and communications system to link the air defences of Nato's members.

The consortium of computing companies, including ICL, is known as British Defence Systems (BDS) and is said to be the most ambitious of its kind ever formed in the UK. It is led by the CAP Group, a leading London-based computer software (programming) house.

The other founding members, also software houses, are SPL International and Leasco Software. Further British software companies with experience in defence work are being invited to join.

BDS has also opened discussions with *so far unnamed* prospective partners in the U.S., France, West Germany and Italy, which it hopes will join it in bidding for Nato work.

Until now, bidding for Nato contracts has been dominated by international consortia led by American companies, in which the European members have often played a second-rank role. The companies involved have usually been manufacturers of equipment, not software companies.

But BDS argues that the changing economics of electronic technology mean that *software* has become more important than equipment both in the design of modern defence systems and as a proportion of the total cost.

The consortium believes it will be attractive to Nato *because it is not tied to any* particular equipment manufacturer and will be free to choose the most suitable products available.

ICL's main contribution will be on the software side. But BDS said that it would be pleased if ICL's equipment proved the most cost-effective when decisions on suppliers were taken.

The Nato project, known as the Air Command and Control System (ACCS), is due to enter service towards the end of this decade. It will provide an advanced electronic network linking up national early warning and command systems against air attack.

Nato is due to award the first contracts for the project, for feasibility studies, next year. About £350m of the total £1bn cost will be for computers and software.

Raleigh verdict may spark retail revolution

David Churchill looks at the Monopolies Commission report on TI Raleigh's sales policies

THE CONCLUSION of the Monopolies and Mergers Commission that TI Raleigh Industries' refusal to supply cut-price retailers with its bicycles was against the public interest may have far-reaching implications for the development of retailing in the 1980s.

Although the commission's decision applied only to Raleigh's refusal to supply certain retailers, the six-month investigation is an important test-case for manufacturers' which limit distribution and hence inhibit competition.

In particular, the commission's judgement could affect the distribution of electrical goods, audio equipment, cosmetics and sports goods because some manufacturers have refused to supply their major brands to cut-price retailers such as Tesco or Argos.

The commission's verdict is all the more significant because it reverses its previous general conclusion that refusal to supply was not against the public interest.

Now, it will be up the the Office of Fair Trading to use the *commission's* report and conclusions to persuade manufacturers to increase competition by *widening* their distribution policies.

The Raleigh investigation was the first to be announced by the OFT under the Government's 1980 Competition Act. This enables the OFT to investigate any alleged anti-competitive practice being carried out by an individual company and then refer it to the commission for a further study to determine the issues of public interest involved.

Raleigh has made no secret of its distribution policy which favours small, specialist retail outlets. It believes they offer a better service to consumers as well as ensuring higher safety standards for bicycles.

The commission is in no doubt that "Raleigh's policy of withholding supplies from some retailers had, or was likely to have, the effect of restricting competition in the retailing of Raleigh bicycles."

Yet the commission also had to decide whether such a policy was for or against the public interest.

The commission was well aware that manufacturers claim a right to determine how their goods should be distributed but says it does not accept this "is an entirely unfettered right that can be upheld in all circumstances."

It adds that "the case for some restriction of the right is particularly strong where a manufacturer *is a dominant* supplier and his goods are differentiated, or are perceived by distributors and the public to be differentiated, from other manufacturers' goods of the same kind."

The commission took the view that an important test of Raleigh's distribution policy was its effect on prices. The commission acknowledged there was some price competition in the retail market for bicycles—from imported bicycles and some discount stores—but concluded that Raleigh's policy prevented even keener competition.

The commission recognised price competition was not the only form of competition, since provision of service was also important. "Nevertheless, we consider that consumers should not be deprived of the opportunity to buy Raleigh bicycles more cheaply with a reduced level of preparation or assembly, and that Raleigh's distribution policy detracts from consumer choice in this respect.

"For these reasons," the commission adds, "we regard Raleigh's distribution policy as *prima facie* against the public interest."

The commission also considered whether there were special extenuating circumstances that might outweigh this conclusion.

A central argument was that the sale of Raleigh bicycles through selected, specialist outlets ensured a higher level of safety.

"Whatever the strength of Raleigh's arguments regarding safety may be, we consider Raleigh's distribution policy does not in practice ensure safety even for its own bicycles since they can be bought from some outlets fully assembled and without the full pre-sale check having been done," the commission says.

The commission also says that if the consequence of a change in Raleigh's policy "were to be a general deterioration of the condition *of bicycles on the road*, the appropriate remedy would not in our view be a restrictive distribution policy on the part of Raleigh, but effective regulation by law of the safety of bicycles on the road."

The commission is critical of Raleigh's claim that it would lose up to 200,000 bicycle sales as a result of changing its distribution policies, and gain only 40,000 new sales.

The commission recommends Raleigh "should be required not to refuse to supply bicycles, on the grounds listed in the reference, to any retailer who applies for them and who is prepared to make arrangements for the provision of a reasonable level of service and of technical advice and stocks."

However, the commission says Raleigh should not have to supply all bicycles made by it to all outlets.

Bicycles: The Monopolies and Mergers Commission: HC Paper 67; £3.95.

BA leases HS 748 for highlands division

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

BRITISH Airways is to lease four twin-engined HS 748 aircraft as part of a cost-cutting exercise intended to return Scottish routes to profitability.

The airline said three of the 44-seater aircraft will be leased from Dan Air and one from British Aerospace, under one-year, renewable leases. The aircraft will allow five Viscounts —four-engined aircraft which carry 71 passengers—to be phased out.

The slimmed down, all-propeller highlands division of British Airways which starts on March 1 hopes to save £1m on aircraft operating costs.

The *division* was *formed after* three weeks of consultation between management and unions to find ways of retaining internal Scottish flights which were losing £4.5m a year.

Mr Hugh Reid, the chief of the highlands division hopes to make a £1m profit, in the first year with smaller aircraft, fewer staff and revised schedules.

The cost of the leases has not been revealed, but it is thought *to be within the highlands* division budget.

The airline will have six HS 748s, an aircraft first produced in the 1960s.

Staff has been cut by 422 to 184, and pilots from 82 to 36.

Pilots costs will be reduced because the aircraft on the highlands division will be flown by senior first officers with an average salary of £16,000. This compares with the £21,000 salary of captains, who will be transferred within British Airways.

Management-union co-operation has made the Scottish reorganisation relatively painless. Many staff have accepted redundancy, but competition for the remaining jobs is fierce. According to the highlands division, 118 pilots from the airline have applied for the 36 pilots' jobs.

Flight crew will take more responsibility on the ground, for such operations as pre-departure inspection, refuelling and supervision of the trim of the aircraft through control of cargo and baggage packing.

Flight deck crew will fly about 750 hours a year, an increase of 130 hours on the present average on Scottish routes.

The airline believes it can save £350,000 a year through tighter schedules designed to reduce the number of crews staying overnight in hotels.

The 36 staff on the ground will also have expanded roles, dealing with passengers and *preparing aircraft.*

Mr Reid said his aim was to create a profitable community airline in which employees and local residents would be involved.

If the highlands division works, it will be the first time British Airways has made a profit in this region. The airline's executive has made it clear that further losses would lead to the closure of the Highlands and Islands routes.

Promoting Australian flights could cost £2m

By Michael Donne, Aerospace Correspondent

ABOUT £2m could be spent in Britain next year to promote travel to Australia. The figure includes £½m from the Australian Tourist Commission and the cost of individual efforts by Qantas, the Australian airline, and British Airways.

Britons are already spending up to £200m a year on travel to Australia.

The commission hopes to appoint about 300 "special" retail travel agents in Britain who will be given preferential treatment to enable them to market air holidays and business trips.

The promotional campaign will emphasise that despite a 5 per cent increase in fares in January, the rates to Australia will still be among the cheapest in the world when calculated on a pence per mile flown basis.

Qantas says that the Super Apex single fare between *London and Sydney (£276)* will be equivalent to about 2.6p per mile flown, or about the same rate per mile as the £90 single stand-by fare between London and New York.

When compared with current air fares in Western Europe, flying to Australia is even better value. The London - Brussels single economy fare of £62 is equivalent to about 29.6p per mile flown.

Performing Right Society to reveal 'secret' 20-vote list

BY RAYMOND SNODDY

THE Performing Right Society yesterday voted to disclose a "secret" list of 490 top composers and publishers who have 20 votes in society elections.

The move should help to defuse an argument over the society's weighted voting system which gives members either no vote, one, ten, or 20 votes depending on their earnings. To get 20 votes a composer has to have earned £10,000 over the past 20 years or £20,000 in the past two years.

Mr Trevor Lyttleton, a composer and solicitor, has been waging a campaign to democratise the society and make it more open to its members. He has been trying to get disclosure of the list of 20-vote members whom he alleges control the affairs of the society, which will distribute around £25m in copyright fees to members from public performances of music this year.

Yesterday Mr Lyttleton said that the resolution put before an emergency meeting of the society was a vindication of his campaign.

However, the resolution was strongly opposed by Mr Robin Boyle, managing director of Chester Music, who argued that such a step was not required by the 1981 Companies Act and could give valuable information on copyright earnings to competitors.

Mr Richard Toeman, the society's chairman, said it had always been the society's position that if there was a body of members who wanted access to the 20 vote list, they would be happy to put forward a proposal.

The meeting also carried proposals to increase the earnings qualifications for associate and full membership and 20 vote status by 50 per cent.

To become associate members composers will have to have earned not less than £225 in copyright fees in the preceding three financial years —£1,125 for a composer.

To become a full member, with ten votes, composers will have to have earned not less than £1,500 during each of any two of the immediately preceding three financial years—£7,500 for a publisher.

A move to tie membership qualifications to a fixed percentage of total society distributions in future to allow for inflation was also overwhelmingly carried.

Mr Michael Freegard, the society's chief executive, said that last year more than 1,800 of the society's 14,000 members had received no copyright income.

Better industrial support urged

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A CALL for British industrial policy to be based on systematic analysis of priorities for manufacturing companies is made in a pamphlet published yesterday by the Policy Studies Institute.

Written by two research staff, Mr David Imberg and Mr Jim Northcott, the pamphlet says better methods should be devised for allocating selective support.

"Applications of the limited public funds available should be made where they will make the most impact, not spread thinly and ineffectually."

The pamphlet says government involvement in British industry has lacked any "clearly formulated general priorities."

Products should only be supported that could be sold profitably abroad. Technological expertise should not be allocated, as had happened in the past, on areas like aerospace and nuclear power "where for us the commercial prospects are very problematical."

The Department of Industry should be responsible for deciding on broad priorities and operating general support schemes.

But the department is not necessarily suitable for highly selective support schemes

"Its rules, traditions, *atmosphere and general way of* operating, together with its exposure to political pressures and proximity to the Treasury, would make it difficult to achieve the speed, flexibility, insight and industrial flair that would be required."

Industrial Policy and Investment Decisions, by David Imberg and Jim Northcott. Price £3.50. Policy Studies Institute, 1-2 Castle Lane, London, S.W.1.

Real sales of groceries rise

BY GARETH GRIFFITHS

THE LARGER multiple grocery chains benefited most from a slight increase in the volume of grocery sales last year. The increase was most pronounced *in the do-it-yourself, gardening* goods and non-traditional foods sectors.

An annual grocery trade review by the A. C. Nielsen market research group found that grocery sales in Britain during 1980 were worth £15,278m, an increase of 14 per cent over 1979. The rate of inflation for food at the same period was 12 per cent, with real sales rising.

The multiple stores did best out of the increase and Nielsen says "biz is certainly beautiful" in the grocery business. The major grocery chains, which are broadening their coverage of Britain, showed an increase of 17 per cent in their sales.

Some 1,000 smaller multiple and co-operative shops closed in 1980 to give impetus to expanded or new large stores. The report says smaller corner shops cannot hope to survive on their pricing policies alone

Grocers continued to take business from smaller specialist shops such as off-licences, retail chemists, drug stores and tobacconists.

Nielsen Annual Review of Grocery Trading 1980, AC Nielsen, Nielsen House, Headington, Oxford.

Notice to Holders of
WALTER KIDDE OVERSEAS FINANCE, N.V.
5% Convertible Subordinated Guaranteed Debentures Due 1989

On December 2, 1981, a 100% stock distribution (2 shares for 1) was declared on the Common Shares of Kidde, Inc., payable on December 31, 1981 to shareholders of record December 11, 1981. Accordingly, the conversion price of the 5% Convertible Subordinated Guaranteed Debentures Due 1989 will be reduced from $63.14 to $31.57 per Kidde Common Share, effective after December 11, 1981.

December 17th, 1981

WALTER KIDDE OVERSEAS FINANCE, N.V.

Journalists to vote on £8 offer

By Brian Groom, Labour Staff

SOME 6,500 provincial newspaper members of the National Union of Journalists are to vote in their chapels (office branches) on a "final" £6-£8 a week pay offer.

The journalists are also being asked what form of industrial action they would be prepared to take if they reject the offer, as they were recommended to do by a national meeting of chapel representatives last weekend.

The meeting voted to recommend action short of a strike, to be decided at a later date. It rejected an all-out strike, but this option is nevertheless being considered by the chapels.

The chapel votes, which will take place at mandatory meetings, must be completed by December 31. The tight schedule is because the Newspaper Society, the employers' body, has threatened not to backdate any settlement achieved after the January 4 settlement date.

The employers' offer was put last week after union negotiators agreed to a revised disputes procedure which the employers had been seeking. The agreement was reached after some changes in wording.

Shipbuilding unions vote to end national talks

BY IVO DAWNAY, LABOUR STAFF

LEADERS of Britain's shipbuilding unions last night voted for an immediate halt to national consultations and joint participation with British Shipbuilders and a return to yard-by-yard bargaining.

The decision, taken at a meeting of the unions' negotiating committee in London, is intended to apply pressure on the corporation to resolve the lyng running dispute over redundancies at the Robb Caledon yard in Dundee and to force the corporation to improve industrial relations.

Local officials representing Confederation of Shipbuilding and Engineering Unions will be instructed today not to refer any disputes or grievances to national organisers but to deal with them at local level.

Mr James Murray, chairman of the CSEU's shipbuilding negotiating committee and general secretary of the Boilermakers' Society, said last night he was hopeful the corporation would resolve the Robb Caledon dispute and improve consultations sufficiently to allow national talks to resume before next year's pay award, due in April.

"We have consistently said we must settle the Robb Caledon issue and we must have better industrial relations," Mr Murray said. "Last week I felt a measure of potimism about today's meeting, but the mood has turned out to be disappointed."

The issue at the core of the worsening relations in the shipbuilding industry centres on the four-month occupation of the Robb Caledon yard following its closure last September when 120 workers were made redundant after refusing alternative employment 60 miles away in Leith.

A plan to resolve the dispute by selling the yard to Kestrel Marine, a neighbouring oil platform manufacturing company, have been blocked by the Dundee Port Authority's refusal to agree to the terms of the takeover. The CSEU says it will not accept the principle of compulsory redundancies.

The unions are also bitter at what they see as a hardening of BS's attitude to industrial relations and a purely nominal adherence to agreements on consultation with officials.

The decision to return to yard-by-yard bargaining is likely to revive fierce rivalry between individual unions—particularly over job demarcation and differentials — threatening local disputes and losses in production on the scale of the late 1970s.

British Shipbuilders said last night that it was unable to comment on the unions' decision until it had received formal notification.

Nurses to press Premier for inflation-proof pay formula

MRS. MARGARET Thatcher, the Prime Minister, is to meet nurses' leaders at Downing Street tomorrow afternoon for pay talks.

The nurses have been campaigning against next year's 4 per cent cash limits being applied to them.

They also want the Governmen tto fulfil a pledge to find a special formula to stop their pay being eroded by inflation.

The Royal College of Nursing said it planned to have several nurses in uniform to cheer their leaders as they entered Downing Street.

The Confederation of Health Service Employees said the meeting was requested by the nurses who were anxious to clarify the Government's attitude to pay in view of conflicting statements by Ministers.

A COHSE spokesman said the staff side wished to establish a commitment to maintain proper levels of pay for nurses as foreseen in a letter from Dr Gerrard Vaughan, the Minister of Health, in August last year.

"The staff side would expect such a formula to apply from April 1982," said the spokesman.

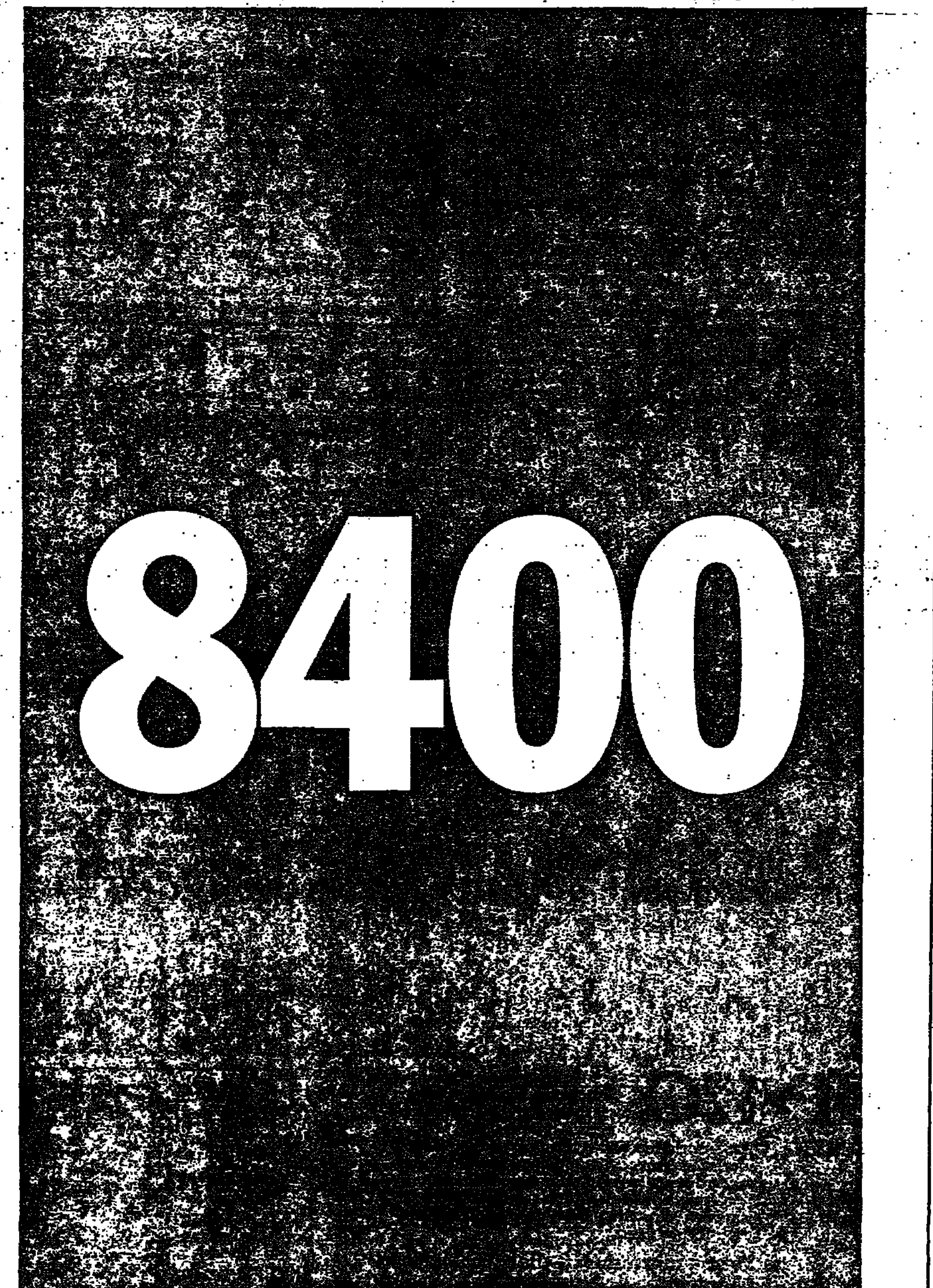
Mrs Thatcher at first refused to meet the nurses to hear their case.

Leaders of the 400,000 nurses and midwives have already said that their members are feeling "deep bitterness and frustration"—about their pay.

Dr Vaughan told them in November they would have to oblige by the 4 per cent cash limits next year and that there would not be time to set up the special formula for the next pay round.

However, Mr Norman Fowler, Social Services Secretary, appears to be attaching high priority to nurses' pay. He met nurses' leaders last Thursday and promised talks in January between the nurses, management, staff sides and health ministers to discuss the special formula.

Basic gross pay of a staff nurse is £85.58p a week, and a Senior Nursing Officer's basic pay is £140 a week. A student nurse is paid £63.27p a week.



Insurance company staff settle for 10%

BY BRIAN GROOM, LABOUR STAFF

OFFERS and settlements close to 10 per cent have emerged in at least three insurance companies in the early stages of this year's finance sector pay round.

These settlements are closely watched by negotiators in the clearing banks, who were embarrassed earlier this year by a number of double-figure deals in insurance companies at a time when the banks were trying to achieve a single-figure settlement.

A 10.75 per cent offer to some 8,500 staff at Royal Insurance has been recommended for acceptance in a ballot by the Association of Scientific, Technical and Managerial Staffs.

Union negotiators in companies which settle later in the round believe they may have a difficult task in matching the Royal figure, however. Last year Royal staff achieved a 14 per cent deal, which was at the higher end of the range of settlements.

The ASTMS, which has 75,000 members in insurance companies, has also achieved a 9.5 per cent deal for about 600 chief office staff at Refuge.

The union is particularly pleased with this settlement because it is higher than last year's 8.5 per cent. The ASTMS is also trying to achieve a substantial settlement for about 400 Refuge field staff, which it believes are seriously underpaid.

Some 500 staff at Liverpool Victoria have won a package totalling 7 per cent, following a 5 per cent interim award in February.

The Banking, Insurance and Finance Union has achieved a complex package providing rises worth between 9.94 per cent and 15.94 per cent for 6,000 members at Eagle Star. The Eagle Star Staff Association recently came under Bifu's wing.

Tense negotiations are taking place at General Accident with both the ASTMS and the Association of Professional, Executive, Clerical and Computer Staff. Three weeks ago ASTMS members at several offices went home early in protest at a 4.5 per cent offer.

The offer has since been marginally raised and talks are continuing, but the ASTMS has threatened a possible campaign of industrial action if the offer is not substantially increased.

Laurence Scott strikers call off Doncaster picket

BY NICK GARNETT, NORTHERN CORRESPONDENT

THE PICKET at Mining Supplies, Doncaster, mounted as part of the 34-week dispute at Laurence Scott and Electromotors plant in Manchester, was withdrawn last night.

The strike committee said it was being removed because of attempts by officials of the unions involved to "crush" the dispute and because of bad weather.

The decision would be reviewed by the committee, but it declined to say whether the pickets would return to the Doncaster site. The picket of the Manchester plant will continue.

Mining Supplies bought Laurence Scott last year, and in April this year announced its closure.

An occupation by its workers was broken by bailiffs and the company has since used helicopters to foil pickets and remove equipment from the plant. The strike committee says up to £3m worth of work is still in the plant.

The Confederation of Shipbuilding and Engineering Unions withdrew support for the strike when it endorsed a deal offered by the management involving some redundancies among the 650-strong workforce.

The deal was rejected by the strike committee which then picketed Mining Supplies with the help of miners who also began blacking equipment manufactured by the plant.

The executive of the National Union of Mineworkers subsequently circulated its membership with a letter from the confederation which said the dispute did not have official backing of the unions.

Six shop stewards are due to appear in court on Friday as a result of an injunction following the picketing.

Pardoe proposes 'incomes policy' tax on monopolies

BY OUR LABOUR STAFF

A TAX on monopolistic bargainers as part of a taxation-based incomes policy was proposed yesterday by Mr John Pardoe, senior research fellow at the Policy Studies Institute, and formerly Liberal parliamentary spokesman on economics.

He was speaking at an institute seminar to industrialists, trade unionists, academics, senior civil servants and others, including Professor Richard Layard from the London School of Economics, who has proposed a similar form of incomes policy, though one founded on inflation rather than monopolies.

Mr Pardoe said monopolies were "*prima facie* enemies of society" and should be tackled as such.

He proposed a tax—possibly a sharp increase in present national insurance contributions from both employers and employees—to be levied against monopolistic bargainers which would help to contain excessive or inflationary wage settlements as part of an overall competition policy.

Mr Pardoe said monopolistic bargainers could be placed in one of a number of categories. These included the operation of a closed shop; employing more than 25 per cent of all the workers in an industry; and producing more than 25 per cent of an industry's home output.

To avoid the tax, such monopolistic bargainers would be forced to decentralise and in particular decentralise their wage bargaining arrangements.

He said these radical proposals, which will be put forward more fully in a paper early in the New Year entitled Not so much an incomes policy . . . would demand radical union realignments, including the establishment of regional TUCs as independent bargaining units.

Acas talks on Ford dispute

BOTH SIDES in the dispute at Ford, which faces a strike by 54,000 manual workers in the New Year, have had talks with officials of the Advisory, Conciliation and Arbitration Service.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1975=100); engineering orders (1975=100); retail sales volume (1976=100), retail sales value (1976=100); registered unemployment (excluding school leavers), and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1980							
4th qtr.	100.9	90.0	79	109.0	205.2	2,020	98
1981							
1st qtr.	99.7	88.9	97	112.7	174.4	2,304	100
2nd qtr.	99.1	89.0	91	111.3	180.6	2,507	89
3rd qtr.	100.2	90.2		110.4	185.2	2,627	96
April	99.1	88.8	90	111.4	181.6	2,453	94
May	98.4	88.2	86	110.6	177.1	2,515	92
June	99.7	89.9	97	111.7	182.7	2,552	83
July	100.0	89.7	99	109.7	185.4	2,582	92
Aug	100.0	90.1	125	111.0	185.6	2,626	98
Sept	100.6	90.8		110.6	184.7	2,673	97
Oct	102.3	91.5		112.1	197.0	2,729	99
Nov				110.5		2,764	104

OUTPUT—By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1975=100); housing starts (000s, monthly average).

	Consumer goods	Invst. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1980							
4th qtr.	94.4	91.6	117.1	86.6	71.1	77.2	10.1
1981							
1st qtr.	93.9	88.3	117.3	84.2	76.2	76.8	10.9
2nd qtr.	93.5	88.7	118.0	84.8	79.0	76.3	14.2
3rd qtr.	94.5	89.2	119.1	86.1	77.8	76.4	14.3
April	94.0	89.0	118.0	85.0	77.0	76.0	12.5
May	93.0	88.0	117.0	84.0	77.0	76.0	13.8
June	94.0	89.0	119.0	85.0	83.0	77.0	16.3
July	94.0	89.0	119.0	86.0	77.0	76.0	14.5
Aug	95.0	89.0	118.0	86.0	77.0	77.0	12.7
Sept	94.0	90.0	120.0	87.0	80.0	77.0	15.6
Oct	95.0	90.0	124.0	87.0	85.0	78.0	14.0

EXTERNAL TRADE—Indices of export and import volume (1975=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1975=100); exchange reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Resv. US$bn*
1980							
4th qtr.	126.6	111.8	+1,265	+2,110	+222	105.2	27.30
1981							
1st qtr.		107.0					28.34
2nd qtr.							26.73
3rd qtr.							24.25
Feb	121.7	114.3	+314	+750	+231	105.2	28.43
March		105.5					28.21
April		106.2					28.07
May							26.49
June							25.63
July							24.57
Aug							24.51
Sept	130.2	135.3	+ 13	+147	+290	100.0	23.70
Oct	125.5	126.3	+116	+316	+ 89	98.9	23.32
Nov							23.46

Trade figures for March-August not available because of Civil Service dispute.

FINANCIAL—Money supply M1 and sterling M3, bank advances in sterling to the private sector (three months' growth at annual rate); domestic credit expansion (£m); building societies' net inflow; HP, new credit; all seasonally adjusted. Minimum lending rate (end period).

	M1 %	M3 %	Bank advances %	DCE £m	BS inflow	HP lending	MLR %
1980							
4th qtr.	8.8	20.2	11.2	+3,252	1,253	1,793	14
1981							
1st qtr.	6.8	8.8	12.4	+1,302	1,081	1,884	12
2nd qtr.	23.1	17.3	6.5	+4,350	1,103	1,926	12
3rd qtr.	8.1	18.1	29.7	+5,930	868	2,023	—
May	22.1	20.1	7.0	+1,027	436	607	12
June	21.9	17.8	8.6	+1,166	371	674	12
July	14.2	17.2	19.8	+2,217	290	658	12
Aug	0.8	14.5	35.4	+1,245	244	659	—
Sept	9.7	22.8	34.3	+2,466	334	706	—
Oct	−4.5	20.2	24.0	+1,580	154	676	—
Nov					65		

INFLATION—Indices of earnings (Jan 1976=100); basic materials and fuels, wholesale prices of manufactured products (1975=100); retail prices and food prices (1974=100); FT commodity index (July 1952=100); trade weighted value of sterling (1975=100).

	Earnings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	FT* comdty.	Strlg.
1980							
4th qtr.	193.3	203.3	206.1	273.9	260.7	269.25	100.2
1981							
1st qtr.	195.2	213.8	212.3	280.4	268.7	261.56	101.6
2nd qtr.	202.3	225.8	219.4	294.0	277.0	245.07	97.3
3rd qtr.	209.9	235.9	224.1	299.1	278.8	260.83	90.6
May	201.6	226.1	219.2	294.1	276.7	255.14	98.8
June	205.7	229.6	221.1	295.8	280.0	245.07	95.4
July	207.6	233.0	222.2	297.1	279.6	275.81	92.5
Aug	210.4	236.8	224.1	299.3	277.3	257.64	91.2
Sept	212.1	237.9	225.9	301.0	279.6	260.83	88.0
Oct	213.4	238.2	227.8	303.7	282.7	259.12	88.3
Nov		236.8	229.1			245.79	90.1

* Not seasonally adjusted.

UK NEWS—PARLIAMENT and POLITICS

Heseltine confirms supplementary rates ban

BY IVOR OWEN

SUPPLEMENTARY rate increases will be banned under the revised legislation introduced by the Government to curb the current expenditure of local authorities, Mr Michael Heseltine, the Environment Secretary, confirmed in the Commons yesterday.

To the accompaniment of jeers and taunts from Labour MPs he buried the Government's earlier proposal to force councils to submit expanded spending plans to local referendums.

Tory back benchers, whose threats to vote against the Government proved the decisive factor in forcing the retreat, made it clear that they regarded the announcement that the Bill was to be withdrawn as a major triumph.

When Mr Anthony Beaumont-Dark (Con, Birmingham Selly Oak) one of the leading rebels, congratulated Mr Heseltine on his readiness to meet their objections he wryly commented: "That is a very flattering way of describing what has happened."

At the same time Mr Heseltine underlined the Government's determination to limit local authority spending by announcing that they would not be given additional funds from the Exchequer if events falsified the assumptions made by the Government about the likely inflation rate.

Any such provision for inflation, he argued, would be tantamount to indexation and would be unfair to the private sector.

Mr Heseltine emphasised: "It would be necessary for the public sector to make economies and live within the means the Government has willed in these matters."

He acknowledged that the ban on supplementary rates might lead to difficulties in cases where a local authority incurred unforeseeable expenditure after fixing its rate revenue for the year in question.

"In these circumstances," he explained, "it could apply to me for temporary borrowing permission.

"I would not grant such permission unless it was absolutely essential for the expenditure to be incurred in the year, and unavoidable commitments met."

Mr Heseltine told the House that in cases where such borrowing was permitted he would expect repayment to be made out of revenue within the first quarter of the following year.

He reaffirmed that the Government would also take account of "big spenders" through distributing the rate support grant in a way which ensured that the consequences of high spending policies were financed more directly by those local communities where the highest spending took place.

Mr Heseltine claimed that the cuts in town hall staffs reflected in the manpower statistics for English local authorities published yesterday provided a further indication that most councils were ready to co-operate with the Government by reducing the rate-borne costs of public expenditure.

The figures showed the largest total drop in manpower ever achieved in one year. At 1.9m the number of full-time equivalent employees in local government in England was the lowest total recorded since the joint manpower watch system was introduced, and effectively eliminated all the manpower growth that had taken place since 1974.

Dealing with the wider issues of reform of the rating system, Mr Heseltine sought to inject a note of urgency by calling for comments on the consultative document published yesterday to be submitted to the Government by March 31, 1982.

He promised: "We shall then aim to produce proposals for a system which would remedy as fully as possible the shortcomings of the existing system of domestic rating and which would command the widest possible acceptance."

But in replying to later questions Mr Heseltine refrained from committing the Government to introducing legislation to reform the rating system in the lifetime of the present parliament.

Mr Gerald Kaufman, Labour's shadow Environment Minister, hailed the withdrawal of the referendum legislation as a victory for parliament.

To Labour cheers, he asserted that Mr Heseltine had learned a lsson in democracy.

"Whatever the size of its majority, no Government can simply slap down a Bill and complacently assume that the House of Commons will rubber stamp it."

Why house owners are unlikely to lose the local finance burden

Robin Pauley on the problems of alternative taxes outlined in the Government's Green Paper

THE GREEN PAPER on Alternatives to Domestic Rates examines a range of options in some detail and finds that none is suitable as a single replacement to rates. It admits that any solution will probably involve a combination of taxes, and indicates that a reformed domestic rate is almost certain to be retained as one.

An important annexe to the paper outlines possible alternative methods of financing the education service. *If a separate* grant were made by the Government the level of central government support for all other local services would fall to under 25 per cent, increasing local accountability at a stroke.

The paper says financial responsibility for education could be *removed from councils* altogether, or teachers' salaries alone could be taken to the centre, or a separate block grant could be paid for education.

The main paper is concerned only with domestic rates, which will contribute about £4.8bn (before deducting rate rebates and payments of rates through the supplementary benefit scheme) in 1981-82.

Local government will spend about £30bn in Britain in the year. About 16 per cent will be covered by rents, fees and charges.

The balance—about £25bn—will be borne by rates and Government grants. This will be a quarter of all public spending and will represent about 6.5 per cent of gross *domestic product. Local government* has outstanding debt of £37bn and employs about 2.8m people or about 10 per cent of the workforce.

Central government will provide about 57 per cent of the £25bn in grants. About 44 per cent of the rest will come from domestic ratepayers and 56 per cent from non-domestic ratepayers.

In looking at the options the Government has applied 10 *criteria:*

Is it practicable;

Is it fair;

Does it make those who take decisions on local expenditure properly accountable to the local people who pay;

Are the administrative and collection costs reasonable;

Are the implications for the rest of the tax system acceptable;

Does it encourage proper financial control;

Is it suitable for all tiers of local government;

Can it produce the same amount as domestic rates;

Does it provide a potential yield large enough for each council to be able to meet an apreciable part of its expenditure;

Does it enable each local taxpayer's liability to be determined with reasonable certainty in a generally acceptable way.

These criteria led to a number of possibilities being dropped as not meriting further serious consideration including:

- Local duties on petrol, alcohol or tobacco;
- Local vehicle excise duty;
- Charges for licences for the sale of alcohol or petrol;
- Local payroll tax.

This leaves reformed domestic rates, local sales tax, local income tax, poll tax, a combination of those or pulling the entire financial arrangements to the centre and turning local government into a system of local administration.

The chapter on reforming rates gives the strongest hints about the likely survival of

> ❛ Mrs Thatcher is known to be keen not to be the Prime Minister to introduce a new *income tax, so the* Cabinet will have to weigh the political balance between the unpopularity of rates at their present level and the unpopularity of any new income taxes.❜

domestic rates. Only in this final version of *many drafts* do some positive words about rates suddenly appear:

"The well-tried practicability of the system and its qualities from the point of view of accountability and financial control give a reformed domestic rating system a claim to consideration . . . the abolition of domestic rates could not take precedence over other changes in the national system of taxation and it clear that in *any event it will not be possible* to replace domestic rates overnight."

Suggested ways of reforming domestic rates, primarily aimed at distributing the rate burden more equitably and reducing the impact on households, include a levy to be added to the bill *for each non-householder with* an income in each house, allowing rates to be offset against income tax, restructuring the system of domestic rate relief, or switching the rating assessment from notional rental values to a system of capital valuation.

Changes to domestic rate relief could be replacing it with a discount on rateable values at a rate of £25, cutting domestic rate bills by 14 per cent or varying the relief on a sliding scale related to rate bills on "standard" houses—a national composite of several well-defined house types.

> ❛ Local government will spend about £30bn in Britain this year. About 16 per cent will be covered by rents, fees and charges. The balance—about £25bn—will be borne by rates and Government grants. This will be a quarter of all public spending and will represent about 6.5 per cent of GDP.❜

Revaluation, long-overdue by common consent, would take a long time to complete on 20m domestic properties. One idea for simplification is "banding," which would give properties within a range of values the same valuation for rating purposes (although this implies an element of rough justice).

Another idea is a "*beacon*" system involving the valuation of selected properties in each area and linking each property to the valuation of the most appropriate beacon. This saves a lot of time and money but is even more rough and ready than banding.

The section on a local sales tax looks at two types—a single-stage LST or a multi-stage tax like VAT. The latter is rejected as "unworkably complicated."

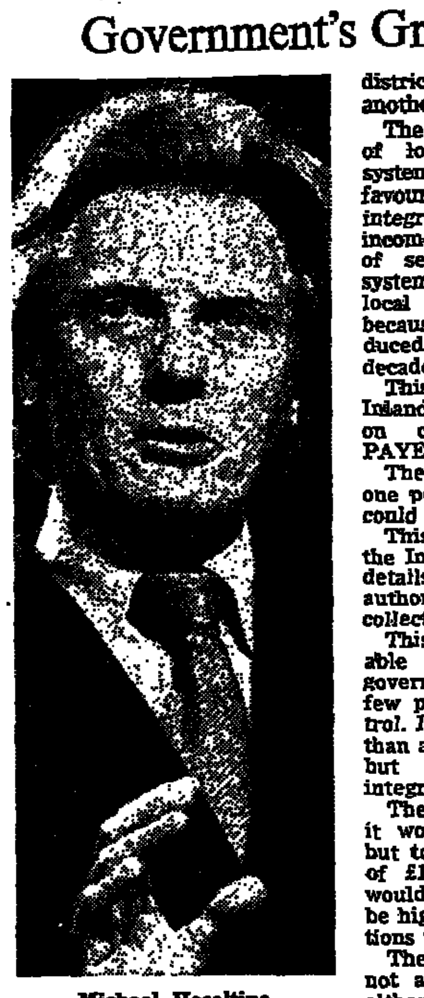
Single-stage LST is a tax administered and collected in conjunction with VAT by Customs and Excise on behalf of local councils.

It would be applied to all goods and services currently subject to VAT but councils would be free to set the rate of tax (possibly within limits set by parliament).

A second model of the same tax involves an entirely separate system of collection *administered by councils* themselves. They could set the rate and might be given power to decide which goods and services should be taxable.

The Government says a sales tax could only be considered as workable in conjunction with another tax and even then the objections listed indicate it has now fallen to the list of non-starters.

If a way of exempting business purchases could be found a *rate of sales tax of 7 per cent* would be needed to replace domestic rates, it would be all but impossible to operate the system within the framework of existing EEC regulations, and the yield would be unpredictable because people could vote for a high service (ie, high tax level) in their residential district and then go shopping in another area with a low tax.



Michael Heseltine

The paper examines a range of local income tax (LIT) systems and finds much in favour, but all those involving *integration with the national* income tax system, a system of self-assessment or hybrid systems involving assessment by local authorities fall down because they could not be introduced until the end of this decade.

This is largely because the Inland Revenue is years behind on computerisation of the PAYE scheme.

The Green Paper identifies one possibility, however, which could be handled more quickly.

This is a system under which the Inland Revenue would give details of income to local authorities and they would collect their own tax.

This would make LIT available to both tiers of local government with comparatively few problems of financial control. *It would be less expensive* than a fully independent system but more costly than an integrated system.

The chapter on poll tax says it would have a broad base, but to raise £4.8bn a flat rate of £120 per head on adults would be needed, and it could be higher if a system of exemptions were needed.

The Government says this is not an acceptable proposition, although a lower rate could be *charged* if poll tax were levied in conjunction with another tax £25 to £30 a head per year would bring in between £1bn and £1.2bn for example.

However, the disadvantages of a poll tax, including the ease with which it could be evaded, mean it is likely to be a strong contender but fall before the finish.

If electoral rolls were to be used for the purposes of levying the tax there would almost *certainly be strong resistance* in parliament and from the civil liberties lobby, a fact which has already turned the Home Office against any such idea.

Another possibility examined is replacing the yield of domestic rates with an assigned share of the revenue from national taxes. But this would affect the relationship between central and local government and reduce local autonomy to an extent which the Government does not wish to undertake, and would raise a prolonged constitutional argument.

It also devotes a chapter to the problems of non-domestic ratepayers (although non-domestic rates are outside the scope of the paper).

Possibilities for help include central government control of non-domestic rate poundages, non-domestic rates set, collected and redistributed from the centre, linking non-domestic rates to local tax rates, reintroducing the business vote, and a non-domestic revaluation.

The paper considers how taxes could be combined, and concludes gloomily: "Probably none of the possible new sources of local revenue could be used on its own as a complete replacement

A local sales tax or local income tax combined with either a *poll tax* or domestic rates retained at a lower level of yield could replace the present sys-

> ❛ A poll tax would have to have a broad base, but to raise £4.8bn a flat rate of £120 per head on 40m adults would be needed, and it could be higher if a *system of exemptions* were needed. The Government says this is not an acceptable proportion.❜

tem, but would entail correspondingly higher administrative and compliance costs."

The only real possibilities appear to be domestic rates reformed plus a simple modified form of local income tax, or those two plus a very small level of poll tax.

As Mrs Thatcher is known to be keen not to be the Prime Minister to introduce a new income tax the Cabinet will have to weigh the political balance between the unpopularity of rates at their present level and the *unpopularity* of any new income taxes.

The only certain conclusion to be drawn from the Green Paper is that however much they are reformed, supplemented, restructured or renamed, rates are here to stay.

Alternatives to Domestic Rates; SO £4.75.

Defence overspending of £700m likely

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

BRITAIN's defence budget is likely to be overspent by at least £700m in the current financial year, the Commons Select Committee on Defence was told yesterday.

Measures to correct the deficit include cuts in fuel supplies and spare parts to the armed services in Britain and in Germany. There is also to be an increase of more than £300m in the Ministry's cash limits announced earlier this month.

Senior officials from the MoD told the committee that additional corrective measures being sought included asking companies to further delay deliveries of military equipment.

The cost overrun estimates were given yesterday during the fourth hearing of the committee in its inquiry into the organisation of the MoD. Committee members are particularly interested in the way the MoD runs its equipment budget, which accounts for nearly 50 per cent of the £12.5bn 1981-82 defence budget.

Appearing before the committee yesterday were senior officials of the Procurement Executive, led by Mr John Bourn, Assistant Under-Secretary.

The actual figures emerged only after persistent questioning by committee members clearly frustrated by bland and general replies from the MoD witnesses.

At one point the committee's chairman, Mr Cranley Onslow (Con., Woking), told the panel of five officials that generalisations were not wanted. He and other members emphasised that serving personnel were growing increasingly discontented with the shortage of fuel and spares.

Mr Bourne, who stressed several times that the committee's questions should more properly be addressed to the MoD's finance director, finally agreed that "without corrective action" the deficit this year would be some £700m.

The Ministry had already won from the Treasury more than £300m in new cash for the year ending March 31, he said. Talks were continuing in an attempt to phase payments due to suppliers, who as a result of the recession were billing the MoD more quickly than expected.

The officials refused specifically to say that fuel supplies, spares and training were being cut, but admitted that since nearly 90 per cent of the defence budget was committed on a long-term basis, such areas were obvious caddidates for savings.

Howden denies Lloyd's conflict

By John Moore

THE CHAIRMAN of a major financial holding company with extensive Lloyd's broking and underwriting interests yesterday said he hoped a new Lloyd's of London ruling council would reject proposals requiring brokers to sell their shareholding links with underwriting management companies.

Mr Kenneth Grob, chairman of Alexander Howden Group, was giving evidence before a Commons committee, chaired by Mr Michael Meacher, MP (Lab, Oldham W). Howden *has lodged a parliamentary* petition opposing a key clause in the Lloyd's legislation.

The legislation is designed to improve self-regulation within its insurance market, by creating a ruling council. Parliament has insisted that Lloyd's includes a clause in the Bill requiring brokers to sell their shareholding links with companies that run underwriting syndicates, because of conflict of interest.

Mr Grob told the committee, during cross examination by Mr Michael Mann QC, that the interests were "identical" between members of Lloyd's, the underwriter, the management companies which run the syndicates, and the ultimate holding company into which these activities were grouped.

In answer to a question by Sir John Biggs-Davison (Con Epping Forest), he said Lloyd's should examine the alternatives to divestment, as described in a report by Sir *Henry Fisher.*

Mr Grob told Mr Reg Race (Lab Wood Green) that Lloyd's share of the world insurance market was falling and divestment of its underwriting interests would make it fall further.

Mr Peter Boydell QC, *appearing for Lloyd's, which* is supporting the divestment clause, commented on the amount of reinsurance that Howden arranged for Lloyd's syndicates.

He observed that the business was placed with Howden's insurance and reinsurance companies, and other companies overseas.

Far from making an important contribution to the London market "you are taking *out more than you are putting* in," said Mr Boydell.

Mr Colin Murray, an underwriter with R. J. Kiln, an independent agency, gave evidence for Howden. He said there were conflicts of interest at Lloyd's which were particularly important where brokers were allowed to act as accepting underwriters, through binding authorities. The relationship between brokers and underwriters at Lloyd's was "*conflict in the* short term, and co-operation in the long term."

He said a broker would not place a client if the market in which it was placing the business "was going to be taken to the cleaners."

Mr Murray was asked about general agreements reached between brokers and underwriters at Lloyd's about price—"Wasn't that against the spirit of free competition?" *He said the business Lloyd's* was retaining was not because of rates, but in fairness with dealing with claims and the underlying security with Lloyd's. No price rings were being supported. He said conflicts of interest were not a problem between brokers and underwriters in the Lloyd's market.

Cheap TV for OAPs rejected

By John Hunt, Parliamentary Correspondent

LABOUR DEMANDS for a concessionary TV licence for old age pensioners were rejected in the Commons last night by Mr William Whitelaw, the Home Secretary.

The licence has recently been increased from £34 to £46 a year for colour and from £12 to £15 for black-and-white.

Mr Whitelaw said a free licence for all pensioner households would cost £300m over the three financial years ending March 1985.

"It would not in my view be right or responsible to go down this road," he declared.

The Home Secretary confirmed, however, that he is still looking at the possibility of making commercial organisations, such as hotels, pay a licence fee for each set they have. At the moment, such organisations pay only one licence fee to cover all their sets.

Mr Roy Hattersley, Labour's home affairs spokesman, proposed that one way of finding some money towards a concession for pensioners would be an exchange of income between the BBC and the commercial TV companies.

He suggested that 20 per cent of the licence fee income should go to the Independent Broadcasting Authority to strengthen its hand in controlling the programme companies.

The independent TV companies would then give 20 per cent of their advertising revenue to the BBC as a contribution towards reduced licences for pensioners.

A Labour motion calling on the Government to consult with pensioners' organisations on a reduced licence was defeated by 55 votes (241—296).

Power lines to be checked

ELECTRICITY BOARDS have been asked to review the technical standards of overhead lines following the blizzards which caused 250,000 consumers to lose their electricity supplies, Mr Nigel Lawson, Energy Secretary, told the Commons yesterday.

But even if strengths had been increased the power lines would probably not have coped with some of "the worst conditions in living memory," added Mr Lawson in reply to an emergency question from Mr Peter Emery (Con., Honiton).

Credit 'danger' to ship prices

BY ANDREW FISHER, SHIPPING CORRESPONDENT

THE GRADUAL rise in world shipbuilding prices must not be endangered by a renewed subsidy race by countries supporting their own industries, Mr Norman Lamont, the Industry Minister, said yesterday.

"We don't want an endless credit race that drives prices down," he told a hearing of the Commons industry and trade committee on British Shipbuilders.

Europe's shipbuilding industry only had a chance if prices showed a general recovery, he said. Countries grant subsidies to cut the gap between world prices and building costs.

Noting that EEC policy was that such aids be reduced, he said it was important that this occurred now that merchant ship prices were showing an upturn.

Mr Lamont said that he did not think that Britain had gone much further in cutting its industry after the shipbuilding depression of the 1970s than other European countries.

While the UK had cut employment in the industry by more than other countries, France and West Germany had cut capacity more sharply than Britain or Japan.

Reacting to the view in the UK industry that Britain had cut shipbuilding facilities more than other countries, he added: "Other countries do not regard us as angels in this matter as we insist on regarding ourselves."

On the chances of BS eventually paying a dividend on the public dividend capital, currently £346m, in its balance sheet, he said this would be some years away.

Even if BS reached breakeven—it has said this should happen in the financial year to March 31 1984—payment of a dividend would be difficult, he added.

The industry has received £570m of aid in the present parliament he said. This takes in public capital, the Intervention Fund subsidy to match prices with costs, and redundancy payment schemes, and includes commitments to next April.

Mr Lamont said the Royal Navy was willing to do what it could to help BS after the latest defence review, which seeks a more cost-effective force, by considering the diversion for export of ships it was having built for itself.

Britain has not sold a frigate abroad for 10 years—the last was to Brazil—and the corporation wants to build up a warship export programme as UK naval orders begin to decline under the new policy which puts less emphasis on surface vessels.

Management skills 'key to Civil Service'

By Gareth Griffiths

APPOINTMENTS to senior Civil Service positions such as permanent secretaries will depend more on candidates' management skills than has been the case in the past, Sir Robert Armstrong, Secretary to the Cabinet and Permanent Secretary of the Management and Personnel Office, said yesterday.

Sir Robert, who is joint head of the Civil Service, told members of the Commons Tresury and Civil Service Committee that there had been a possibility in the past that civil servants had found their policy advisory work more glamorous than their management work. His aim was to make them realise that the management side could be extremely productive for themselves as well as boosting Government efficiency.

He repeated his view that imposing policies from the centre on the rest of the Government machine would not work.

The aim of recent changes in strengthening the Cabinet office and abolishing the Civil Service Department was not to lead to an increase in the power of the centre, but rather to improve Government efficiency.

He said that senior civil servants should spend more time within their specialised areas rather than moving around different departments as frequently as they do, although he did not envisage and end to the generalist tradtion of the service.

SDP wins review of broadcasting guidelines

BY ELINOR GOODMAN, POLITICAL CORRESPONDENT

THE SDP is not to be allowed any television or radio time for party political broadcasts next year, but it has succeeded in getting a commitment to a review of the existing guidelines governing their allocation.

This should ensure that it gets some broadcasting time of its own in 1983 and in the crucial run-up to the general election.

Following protests from the SDP over the way the existing rules prevent it getting any air time, the committee on party political broadcasting—made up of the broadcasting authorities and representatives of the other political parties—said that the "intended review" of the arrangements for party broadcasts would go ahead in the spring.

A representative of the SDP, which has been excluded from the main committee, is to be asked to take part in this review.

In the meantime, however, the *committee said the allocation of* time in 1982 would be the same as in 1981. This means that the Liberals would have only a third as much time as the Tories and Labour.

Until now the broadcasting committee has always met in secret and has not disclosed the guidelines used in allocating time.

Yesterday, however, in what the SDP claimed was a small victory for open government, the committee published the present formula for the allocation of PPBs.

Broadly this means that political parties get 10 minutes of television broadcasting time for every 2m votes polled at the last election.

Another formula is used *during a general election campaign.* Under this the SDP would be allowed one broadcast for every 50 candidates it fielded, but the Social Democrats believe that this would be inadequate.

● A STRONG supporter of Mrs Thatcher's current policies has been selected as prospective Conservative candidate to contest Bermondsey if and when Mr Bob Mellish, the current Labour MP, resigns as he has promised to do.

The local Conservative Association has picked Mr Howard Flight, a 33-year-old merchant banker with the Guinness Mahon group, writes Peter Riddell, Political Editor. He fought the seat in both the February and October elections in 1974, and was assistant to Mr Norman Tebbit, the Employment Secretary, in the 1970 elections.

Mr Flight said in his adoption speech that Mrs Thatcher was "*the only real leader this country* has had since Churchill, with remarkable stamina, and the ability to stand firm where it is right to stand firm, yet, contrary to inaccurate criticism, flexible enought to adapt as circumstances require."

He went out of his way to attack some of the critics of Mrs Thatcher.

Underground waste storage tests cancelled

FINANCIAL TIMES REPORTER

BRITAIN WILL not carry out tests on storing radioactive waste underground, the Government announced yesterday. Feasibility is established in principle, said Mr Tom King, Environment Minister, in a Commons written reply.

The decision is based partly on a Government committee report which recommended storing waste on the surface for 50 years or more, and partly on the fact that five other countries are already carrying out tests of underground storage. Ministers will monitor these tests.

Meanwhile, planning appeals and applications for geological studies involving test drilling will be withdrawn or dismissed.

Mr King said, "The Government has been reviewing the research programme and this review has highlighted the fact *that the longer waste is stored,* the more safely it could be eventually buried, because there would be less heat to dissipate."

The Radioactive Waste Management Advisory Committee advised earlier this year that the desirabality of storing high-level waste in solid form for 50 years or more should be given careful thought. *A decision* could then be made on alternative methods of disposal.

Most research work had concentrated on underground disposal. Mr King said the Government "now believes that in the light of its review of progress of work overseas this is now established in principle and nothing has emerged to indicate that it would be unacceptable."

Research would now switch to confirming that findings in Sweden, Canada, the U.S., Belgium and Germany would apply to the UK.

"In view of the lengthened *time-scale and the plans to* construct disposal facilities in other countries, it is not now intended to construct a demonstration facility for underground disposal in the UK," Mr King said.

One immediate effect would be that appeals for planning permission for drilling in the Cheviots would be dismissed and other applications withdrawn.

Research would continue into the disposal of wastes with lower-level radioactivity, and sea-bed disposal. A White Paper would be published setting out priorities.

Opposition to police change

OPPOSITION TO a wholly independent *system* of investigating complaints against the police was expressed yesterday by Sir Cyril Philips, chairman of the Police Complaints Board.

Sir Cyril told a Home Affairs Select Committee that greater public confidence could be secured under the existing system.

Soviet troop movements 'not alarming'

FINANCIAL TIMES REPORTER

REPORTS on Soviet troop movements in Poland give no cause for "immediate adarm," deputy Foreign Secretary Mr Humphrey Atkins, told MPs today.

The Government had received unconfirmed reports of the presence in Warsaw of the Soviet *military Commander-in-Chief of* the Warsaw Pact, he said during Commons Question Time.

Mr Winston Churchall (Con Stretford) said there were rumours of Soviet military airlifts between Russia and Poland.

Mr Atkins said: "As far as our intelligence about the movement of Russian troops is concerned, clearly you would not expect me to go into detail in the House."

"One of our difficulties is that although there is communication between the Government and the Charge d'Affaires in Warsaw, he is not in a position to gather as much information as we would like."

TECHNOLOGY

EDITED BY ALAN CANE

Growth in computer services

BY ALAN CANE

THE UK computer services industry—companies which provide computer capacity or make it possible for their customers to do their own computing more effectively—turned over £804m in 1980 and are likely to exceed £903m in the current year.

These figures represent the "best estimate" of the overall market published by Jordan Surveys this week in the *British Computer Services Industry.*

Mr Joseph Roth of Business Industrial Management, who wrote an industrial commentary for the survey, argues that the official figures for the industry may be too low by half.

He notes that the Business Statistics Office of the Government Statistical Service which compiles returns for the computer industry (the Government Business Monitor SDQ9) inevitably under estimates the number of companies involved in the computer services business.

He argues therefore: "The revenues reported by SDQ9 represent only about two-thirds of the total for the spectrum it covers. So a more realistic figure of revenues for consultancies, systems houses, bureaux and data preparation organisations would be obtained by multiplying the SDQ9 figures by 1.5, and, to give an indication of the total computer services spectrum, it would not be unreasonable to use a multiplying factor of two."

Official figures give computing services revenues of £536.3m for last year and an estimated £620m for this year.

Taking Mr Roth's more optimistic figures as credible, it is possible to give an indication of the relative significance of the computing services industry by comparison with Rolls-Royce which turned over £847m in 1979 and was 66th in The Times list of the UK's biggest companies.

Overall growth for the industry was about 25 per cent, a slight downturn on previous years. Mr Roth sees the industry going through a consolidation phase which will leave it in a less crowded and more efficient state.

He notes: "The sheer momentum of market ebullience and runaway expansion allowed even the most rudimentary of companies to hold their own and generally flourish. Now, rather more than irrepressible enthusiasm and technical virtuosity is needed to ensure a profitable long-lasting venture."

The services sector—traditionally taken to include the computer bureaux who offer computing time for sale, the software houses, who write the instructions which enable computers to carry out their given tasks, the consultancies, which offer specialised advice and the recruitment and training organisations — is becoming attractive to the investor.

Mr Roth says that the investment sector, after a period of marked disinterest is now taking an extraordinary interest in computer services.

"There is a surfeit of investment funds looking for real returns. The computer services industry appears an attractive alternative to the languishing performance of the older traditional industries".

He points to the advantages inherent in the sector: "They are less capital intensive, have a higher growth potential, revenue per employee is greater and the return on investment is higher and in excess of the inflation rate".

The biggest computer services company by turnover was Dataskil with revenue of almost £24m in 1979. Dataskil was the computer services arm of ICL, Britain's largest computer manufacturer and after the reorganisation of the company has become part of the overall ICL computer services operation.

Second largest was Compower, The National Coal Board computer bureau.

The most profitable company, according to Jordan's figures, was Computel, a bureau specialising in ICL based services and which has one of the largest concentrations of ICL computing power in the country.

Compower was again second in the profitability league, measured as the ratio of pretax profits divided by sales.

The bureaux still dominate the UK services sector but software houses and consultancies are catching up fast, and the report predicts that these specialities will have the lion's share of total revenues by 1985.

Among the significant trends in the industry, Mr Roth points to the importance of microcomputers and software packages: "Many computer professions may take exception to this change but if they are wise they will be prepared to accept it."

The packages are pieces of generalised software which any customer should be able to run on an appropriate computer with little modification.

Revenue from the sale of these packages has increased by more than 143 per cent in the past two years, the survey says: "Very roughly, a package will cost about 10 per cent of the price of having a bespoke system specially written."

The report pays service to the quality of UK services but warns that financial and marketing support especially from government and the investment sector is needed urgently if the opportunity is not to be wasted.

The British Computer Services Industry, £85. Jordan and Sons (Surveys), 01-253 3030.

Silence is keynote of two Chiltern products

BY MAX COMMANDER

CHILTERN Water Treatment has introduced two new products—a microprocessor based automatic two-bed deioniser and a 600-gallon per day reverse osmosis unit, which, the company claims, is completely silent.

Chiltern is the packaged plant division of the Dewplan Group. Its deioniser, the Hydrofine 400, features counterflow regeneration for high treated water purity and also economy of regenerated chemicals. It can deal with water outputs between 100 and 2,500 litres per hour.

The 400 has a digital display to show volume of water and product resistivity and an integral recirculation pump as a standard feature. The pump can recycle treated water to the plant inlet to maintain a flow through the ion exchange beds in periods where there is no demand. This ensures that there is no deterioration in the treated water quality.

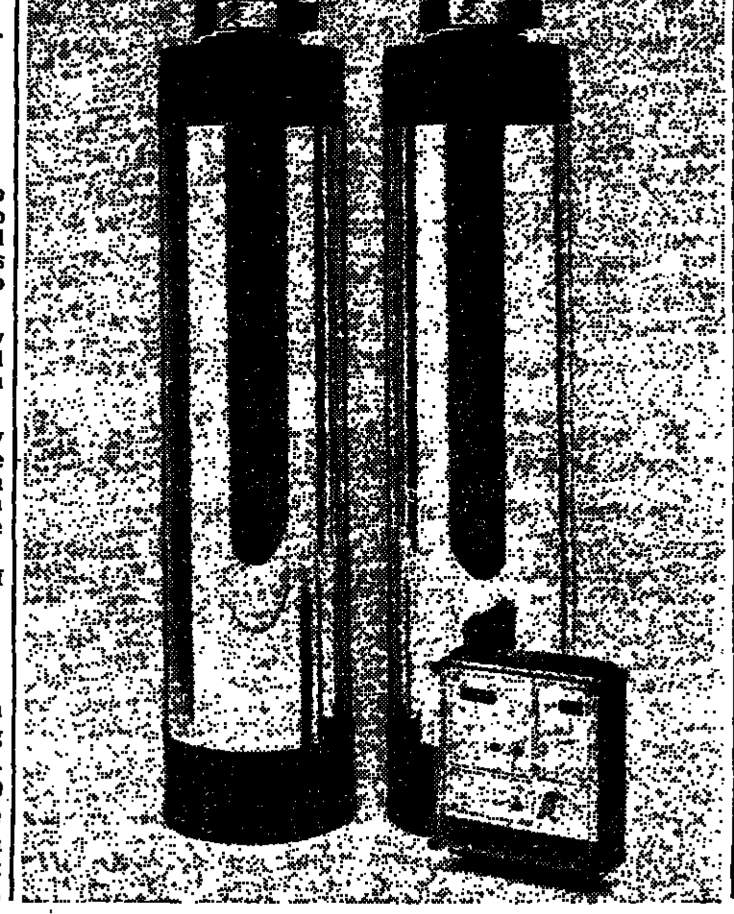
Normal commercial strength chemicals can be used so that no manual dilution is necessary.

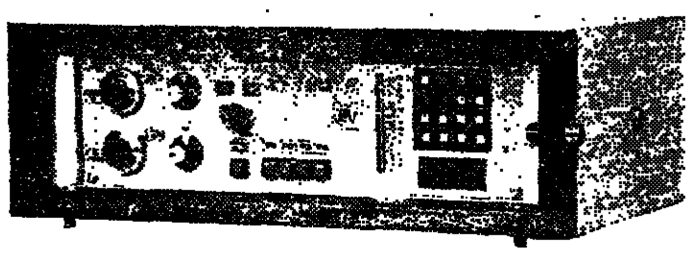
Second new introduction from Chiltern is its Beechwood 5 and 10 reverse osmosis units designed for use in laboratories, hospitals or small manufacturing companies where pure water is needed for chemical or biological work.

The company says that the units' "almost silent operation" makes them especially suitable for small renal dialysis systems. They are based, essentially, on the Du Pont B9 polyamide hollow fine fibre permeator.

This 110mm diameter glass fibre reinforced plastic pressure vessel contains hollow fibres which act as semi-permeable membranes. These allow water molecules to pass through the walls but retain the ions of dissolved salts, organic molecules, bacteria, pyrogens, viruses and colloids.

Chiltern Water Treatment is at Kingsmead Road, High Wycombe, Bucks. (0494 446622).





Powder coating control

THIS control unit has been developed for Tycoate International's range of powder coating reciprocators. Four programmes can be stored, and, it is claimed, the unit will ensure uniform coating of most workpieces. Tycoate is at Gardiners Place, West Gillibrands, Skelmersdale, Lancs (0695 22171)

Steel reinforcement guide

A GUIDE to steel reinforcement products which includes diagrams of preferred shapes, tables of sectional areas and their mass and British Standard numbers, has been produced by BarFab Reinforcements in the West Midlands.

A section includes detailing, scheduling, bending, lapping and preferred meshes in BS 4483.

More from the company at Alma Street, Smethwick, Warley, West Midlands (021 558 2111).

Ticket machine for the eighties

WHERE tickets have to be issued on the move or from booths or vehicles, Microfare C, put on the market by Control Systems of Uxbridge, should prove suitable.

The beauty of the unit is that, apart from simply issuing a purpose-printed ticket or invoice, it will also provide a sales analysis and monitor the cash taken.

The unit measures only 216 x 97 x 187 mm and weighs 2.6 kg, so that it can be easily deployed on a neck strap in such places as buses and coaches, railways, sports and leisure centres, ferries and tolls.

Operated by a simple keyboard, Microfare C has a 38 mm ticket roll printer and a four digit liquid crystal display which confirms the keyboard entries or shows the time. It can be programmed from the keyboard to print the name of any goods or services purchased as a heading on the ticket or receipt.

Each operator, machine or location is recorded in memory so that total cash accountability is achieved. A complete record of sales is also retained in memory and can be summarised and reproduced on the printer as a sales analysis on command from the keyboard.

Alternatively, sales data can be transferred direct to a central computer over cable via an output socket also on command from the keyboard.

Tickets, showing a comprehensive record of the transaction, are produced with alphanumeric characters in dot matrix form by the thermal printer.

Descriptions and prices of up to 32 items can be allocated to dedicated keys so that rapid issue of tickets for these items is achieved using one or two keys only.

In addition, tickets of any value up to £99.99 can be issued by entering the amount from the keyboard.

The machine is battery powered from rechargeable nickel cadmium cells, although it can also be operated from a 24 volt DC supply or from the mains.

GEOFFREY CHARLISH

Laboratory freeze drying

LEYBOLD-HERAEUS of 16, Endeavour Way, London SW19 (01 947 9744) has introduced two new products. One is a laboratory freeze drying plant for use with products in flasks, ampoules, vials and trays. Ice capacity is 2 kg in 24 hours with a maximum of 3.5 kg.

Second product is a vacuum gauge control and switching unit for packaging systems. Known as the Combivac PV 120 S2, the unit has two pressure sensors, two variable switch point settings with relay output and an integral fault indicator.

Nanotech profile measuring instrument

THE DEKTAK II surface profile measuring instrument from Nanotech (061 773 8514) can follow surface vertical changes of up to 650,000 angstroms.

Once the sample is positioned, depression of a single button lowers the stylus on to the sample surface and starts the scan. Within five to 50 seconds and with only a single scan, the profile is displayed on the video screen.

Then, other keys allow selected portions of the display to be re-plotted to a different scale. All associated data is shown in alpha-numerics on the display, easing data interpretation. A thermal plotter produces a paper trace.

The machine digitises and stores all the scan data, making subsequent manipulation easier. The vertical resolution is 10 microns over the entire measurement range. Scan length can be between 100 microns and 30 mm.

Concrete saw

A TOOL system which is claimed to save up to 80 per cent in the time to cut concrete expansion joints has been developed by Richard Cheary and Huddy Diamond Crown.

These two companies have developed a twin-bladed sawing machine using synthetic diamonds which can cut operation time to only three minutes per metre.

Oryx solder

CLAIMED to set new easy flowing standards, Oryx resin cored solder, consisting of 60 per cent tin and 40 per cent lead alloy which melts at 183 deg C has been introduced by Greenwood Electronics, Portman Road, Reading, Berks (0734 595844). Grades available are 18 SWG (1.2 mm) and 22 SWG (0.71 mm).

FINANCIAL TIMES SURVEY
Thursday December 17, 1981

Exhibitions and Conference Centres

The growth of international communications has done nothing to dent the popularity of conferences and exhibitions; the basic need for face-to-face meetings and direct viewing remains strong. Organisers are having to upgrade the facilities and technology on offer, however, and participants are anxious to make sure they get the most from events.

Supply may outstrip demand

Arthur Sandles looks at trends in the industry and sees a buyers' market in the mid-eighties.

IF ENTHUSIASM for building new international conference and exhibition centres is any guide, then the market for such events remains remarkably healthy.

London's long-awaited Barbican centre is enjoying its first few weeks of business; New York's Convention Centre, planned for a 1984 opening, already has $16bn gross revenue business signed up for its first few years; in Hong Kong the Tsimshatsui Cultural Complex will have a 2,300-seat concert hall and a 2,400-seat theatre as well as its Kowloon location; Geneva is preparing for its grand opening; and Washington is working towards an opening day by the end of next year.

It would be foolish to suggest, however, that all is entirely well. What few international statistics exist on the conference and exhibition market are rendered unreliable by the fragmentation and diversity of the market.

A conference or exhibition organiser will be looking to several sources for his business—international associations, government bodies, national associations, international corporations, national corporations, sales and meetings and incentive gatherings included. How does a conference hall owner separate out a meeting of 200 doctors from Scandinavia and a 300-strong local wedding group?

Such figures as are around seem to indicate that the market for bigger international conferences at least has held up reasonably well. It is at the smaller, domestic and corporate, level that things have been stickier as financial controllers try to keep expense to the minimum.

In spite of that weakness here and there, there is no doubt that the conference market remains an attractive table at which most cities and resorts in the world would like to sup. Britain earns around £550m a year from domestic and international conferring, with London alone receiving some £150m.

In whatever city you are you can reckon that the average exhibitor or conference delegate will be outspending the average tourist by around 400 per cent—if you doubt the figure try getting into some of the better hotels or restaurants around Earls Court in London when a major show is on.

In this fiercely competitive world, conference business may be hard to win, but once it is signed up then it is much more reliable than tourist traffic. A conference city can look to its 1982 bookings with a certain degree of confidence at this time of year, while it is a foolish resort centre that attempts to do the same over holiday reservations.

But with so many new facilities coming on stream over the next few years the question must be asked whether, in the short term at least, there is likely to be a problem of over-supply. On the French Riviera alone, for example, the relatively new convention facilities in Monte Carlo are about to be joined by the splendid new $80m complex at Cannes offering "the most modern and convenient meeting and exhibition facilities in Europe," and another giant project at Nice. Other big league battles include Bournemouth v. Brighton and New York v. Washington.

It is, of course, going to make the mid-eighties very much a buyers' market as far as conference throwers are concerned.

With the drive for international meetings growing stronger every day (even if the money is not always there to turn the motivation into fact) there seems little doubt that there will be a healthy demand, but whether quite healthy enough to mop up the sudden burgeoning supply remains to be seen.

In spite of daily improvements in communications that were supposed to have made conferences redundant many years ago, the conference and exhibition remains popular. The printed word, audio tape, and even video reproduction do not seem to have removed the basic human need for contact, discussion and even argument on a face-to-face basis. The scientists and salesmen from Philadelphia and Plymouth need to meet their counterparts from Oslo and Osaka.

That is not to say that the international gathering is not changing. The several that I have attended in the past year or so have suddenly sprouted technological wizardry. Crackly film-based audio visual units have been replaced by large-screen, crystal-clear TV-style presentations. Closed circuit coverage of conferences is now the norm rather than the unusual. Status conscious chairmen can address sales people via satellite (although personally buying them a drink at a local bar might be more effective).

Most gatherings are getting much more punchy and commercially relevant as the hard edge of economic reality starts to bear on all our lives. At the recent City of London exhibition in the new Barbican centre I was surprised by the aggression of salesmen who were unwilling to let me leave stands without ordering some new wonder word processor or office computer. Only a few years ago such hard-sell techniques would have been regarded as ungentlemanly and certainly un-British.

This sophistication is, of course, placing considerable strain on the resources of some conference cities. Centres built even 10 or 15 years ago are having to be upgraded. That London's Earls Court should be spending £15m on modernisation alone, a figure which only a few years ago would have bought a pretty good exhibition hall completely, is an indication of the size of the task.

The implications are daunting for some underdeveloped countries, and even for those which would not like to have such a title. These days there is little point in booking into a convention city and hoping for all sorts of new-fangled gimmickry when even the local telephone system does not work properly.

This is not the lighthearted comment that it might at first seem. When the Association of British Travel Agents takes its 3,000 delegates to Cannes next November there is a good chance that a fair slice of them will want to call home each evening twixt conference and dinner—say, 1,000 calls in the course of 90 minutes.

Just as gadgetry and the need for technological skills has increased, so has the time spent at conferences tended to slim.

Both conference and exhibition organisers say they sense a shortening of the amount of time any visitor or delegate is prepared to stay. Much more is being packed into much less time these days. Perhaps it is pressure from the accounts department again, or perhaps the simple fear in these job-threatening days, that business people who are away from the office for too long may find someone else sitting in the desk when they return.

Such other trends as there are tend to be more confusing. The currency tides, which in the late seventies started European eyes looking across the Atlantic and even the Pacific, are now beginning to turn the other way again.

Berlin and London are not the pricy places that they might have seemed even a couple of years ago. Domestic taxation policies are ever changing and, some would say, ever damaging. (The French, wincing under new hotel taxes and apparently about to suffer personal taxation changes which would hit conference expenditure, are notably upset.)

So the exhibition and conference world looks to the rest of the eighties with a degree of concern about oversupply, a near universal determination to sharpen its marketing effort, some worry about economic climates and taxation attitudes, but basically relief that the whole business is not suffering anything like as badly as some other fields of commercial activity.

That there will be more voices crying out for the custom is obvious. The net result of that is that standards should continue to rise and, for the moment at least, conference and exhibition organisers and attenders will be able to get a few bargains.

SOME PRINCIPAL EUROPEAN EXHIBITION CENTRES

	'000 sq m	No. of halls or pavilions
AUSTRIA		
Graz	155 (56 covered)	
Klagenfurt	103 (40 covered)	
Salzburg, Reider Messe	183 (30 covered)	27
Vienna	350	32
Wels	171 (62 covered)	
BELGIUM		
Brussels	105	11
Kortrijk	115	5
CZECHOSLOVAKIA		
Brno	81.7	14
DENMARK		
Copenhagen	85	
Henning	450	13
FINLAND		
Helsinki	22.3	2
FRANCE		
Paris CNIT	80	
Paris Parc des Expositions	269	8
Strasbourg	135	21
EAST GERMANY		
Leipzig	350	
WEST GERMANY		
Berlin fairgrounds	128 (58 covered)	24
Cologne	203.3	14
Dusseldorf	200 (132 covered)	13
Frankfurt	391 (185 covered)	16
Hanover	504.5	24
Munich	82	11
IRELAND		
Dublin, Royal Dublin Soc. Showground	17.9	4
ITALY		
Genoa	200	7
Milan	605.3	40
NETHERLANDS		
Amsterdam	46.3	6
POLAND		
Poznan	180 (140 covered)	56
PORTUGAL		
Braga	58.5	41
Lisboa	26.4	5
ROMANIA		
Bucharest	120.1 (50.1 covered)	2
SWEDEN		
Gothenburg	17.6	9
Stockholm Congress Centre	31.7	4
SWITZERLAND		
Basle	183	52
Geneva, Palais Des Expositions	50	13
Geneva, Palexpo	66.5	5
Lausanne	85	
YUGOSLAVIA		
Zagreb	300 (200 covered)	40

Source: The Exhibitors Handbook 1981-82.

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SOME PRINCIPAL CONFERENCE CENTRES IN UK

(Seating capacity of main meeting room '000)

London Earls Court and Olympia	19.0
London Wembley Arena	10.5
London Royal Albert Hall	5.6
London Alexandra Palace and Park	3.0
London Hammersmith Palais	3.0
London Wembley Conference Centre	2.7
London Central Hall, Westminster	2.6
London Royal Festival Hall	2.6
Brighton Centre	5.0
Manchester Belle Vue	5.0
Manchester Free Trade Hall	2.5
Blackpool Norbreck Castle	3.5
Blackpool Norbeck Castle	3.5
Blackpool Winter Gardens Complex	3.0
Douglas, Isle of Man, Palace Hotel	3.0
Newcastle-upon-Tyne Eldon Square	3.0
Sheffield City Hall	2.6
Dundee Caird Hall	2.6
Liverpool Empire Theatre	2.6
Leicester De Montford Hall	2.5
Glasgow Kelvin Hall	2.5
Edinburgh Usher Hall	2.5
Nottingham Royal Concert Hall (completed 1982)	2.5

Source: Meeting Places.

Complete package in heart of City

LONDON as an international centre for conferences and exhibitions has long held attractions for many overseas delegates because of its cultural and historical interests. *But London has not always* had adequate conference and exhibition facilities to offer this potentially captive audience.

The refurbishment of the Earls Court and Olympia exhibition halls and the emergence of such conference centres as the Wembley conference centre have all helped to put London more on the international map for conferences and exhibitions.

To these facilities can now be added the new Barbican arts and conference centre which, in the heart of one of the leading financial centres of the world, offers a complete package of seminar rooms, cinemas, exhibitions facilities, and large auditoriums all within a stone's throw of the Stock Exchange and other financial institutions.

Although the centre's facilities have only been open a *few weeks—and the centre is* not officially opened until next March—forward bookings already underline the City of London's pre-eminent position as an international business meeting place.

Advance bookings suggest that 88,000 London hotel beds will be filled in the centre's first year, with one-third of this business — worth £3m— coming from abroad. Exhibitions and conferences scheduled for next year include the word processing exhibition INFO '82, the International *Congress on* Allergology, and the International Conference on Computer Communication. The Barbican is also the choice for the Golden Jubilee Congress of World Petroleum, the international four-yearly meeting of oil technologists and engineers, in July 1983. Some 5,000 delegates, with 2,000 partners, are due to attend this event.

The Barbican Centre has been developed after many years of delay and frustration at a cost of about £150m— although the final bill may be higher. It is one of the final sections of the Barbican residential development.

The new centre, which occupies five acres of prime City land, will have as its focal point the 2,000-seat hall which will become the permanent home of the London Symphony Orchestra. The hall is equipped with a complex array of technical equipment specifically installed to cater for the needs of conference planners. Simultaneous translation in six languages will be available, as will a 130-way lighting control console, a 24-channel sound mixer and closed-circuit television facilities. There is film and slide projection and Eidophor equipment.

The hall can be used for smaller meetings of between 900 and 1,500 people. Three small auditoria, to seat between 150 and 280 delegates, each have their own projection and simultaneous translation equipment.

The centre has five flat-floored seminar rooms each capable of seating between 20 and 80 people, depending on the *layout chosen.*

Adjacent to the conference facilities are two exhibition halls which provide a total of 8,000 sq metres of display space. The halls can either hold one single event or two different exhibitions at the same time.

The only real drawback to the Barbican is the difficulty in finding its conference and exhibition facilities among the concrete jungle that makes up the whole development. The Centre's organisers hope that once the building is *officially* opened, hotels and taxi drivers will become readily aware of the Centre's location.

David Churchill

Conference venues range from the purpose-built to converted country houses. Colin Amery reports.

Two centres added to the London scene

DURING THE 1970s, the conference centre market was a growing one. Architects found plenty of opportunities to design and build for this international market. There seemed to be no shortage of subjects to confer about and no shortage of people willing to spend a great deal of time in conference.

In the United Kingdom the market for conferences depends considerably on the willingness of companies and local authorities to sponsor attendance by their employees. With the decline in public spending there has been a fall in the number of large conferences.

Perhaps it is this unpredictable character of the market that has left the UK rather out in the cold when it comes to major new buildings for conferences.

The Government certainly seems to be feeling the pinch as complaints grow about the inadequate facilities being offered to international gatherings that are held in London. Lancaster House on the Mall is the only large centre for government conferences and large-scale hospitality, although *Commonwealth* discussions are held in the agreeable surroundings of Marlborough House.

During the recent period when Britain held the Presidency of the Common Market it became a familiar sight to see the world's press squeezed into marquees on the lawns of Lancaster House in far from comfortable conditions.

All this is to be rectified when the large and very handsome new conference centre that is now being built on a large site opposite Parliament Square is completed in 1984. The architects for this very important public building are London-based Powell and Moya.

This firm was chosen by the Government to design a centre that would be large enough for all the inevitable round of European Economic Community discussions as well as more commercially profitable activities. It is to have advanced facilities for radio and television coverage and a huge number of translation services.

Opposition

The *building will have calm* Portland stone clad facades with a strongly horizontal appearance. Although it has been critised by the Victorian Society for the damaging effect that a modern building could have on the sacred and largely Victorian atmosphere of the parliamentary precincts, more enlightened critics have hailed the design as an exciting opportunity to build a major public building in a contemporary style.

London's latest addition to the conference scene is the giant Barbican Arts and *Conference* Centre that opens to the world in March. The publicity blurbs for this long awaited building describes it as the largest centre for arts and conferences of its kind in Western Europe.

The *conference element is a* fairly recent addition to the original scheme and it means that the largest hall, built for he London Symphony Orchestra, will be doubling up as a conference hall rather in the way that the *Royal Festival* Hall does on the South Bank.

The architects for the Barbican Centre are Chamberlain Powell and Son and the Centre represents the last phase of the huge Barbican project which the City Corporation began after the Second World War as a major redevelopment of the area of the City north of St Paul's.

Like the rest of the Barbican scheme, the Arts and Conference Centre is a strong and significant piece of architecture. Work started on the centre in 1971 and it has been completed at a cost of £143m. The site is about 5¼ acres and the building has 10 floors. The large concert hall seats more than 2,000 and is suitable for large scale conferences. There are three cinemas and two theatres.

Facilities for conferences range *from the large halls* to individual seminar rooms and the use of all the foyers and restaurant spaces make the centre a pleasant place to meet.

The conferences and exhibitions section of the Barbican opened during October this year *while the rest of the centre is* being completed. The London Chamber of Commerce held the first City of London exhibition at the Barbican and the architectural Press sponsored the exhibition of interior design, "Inscape '81," there. In 1983 it will be the venue for the Golden Jubilee Congress of World Petroleum.

There were teething problems at the events already held and the problem of finding one's way around the building remains disturbingly unsettled. The giant nature of the Barbican makes it a trifle intimidating for the smaller events and, as in all large exhibition halls and too-large museums, there is a fatiguing atmosphere.

Some of the new conference facilities are being built outside *London, often in converted* buildings. Brocket Hall, near Welwyn in Hertfordshire, is a fine stately home designed by James Paine between 1755-80. The owners decided that one way to solve the problems of maintaining a large country house would be to get permission to use it as a residential conference centre.

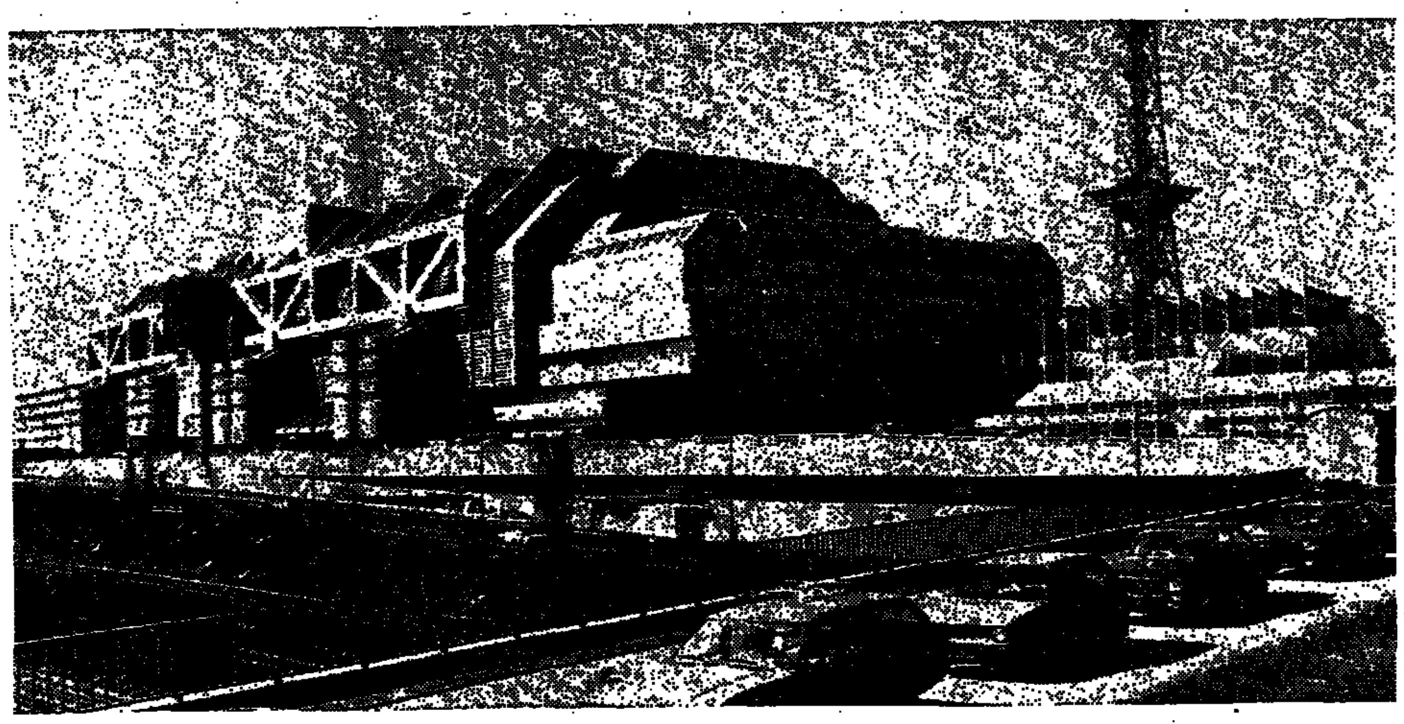
The use of old buildings for what the planners call "public assembly" raises some awkward questions when it comes to fire risks. The installation of fire *doors* and escape routes can seriously damage the period character of a house. At Brocket these problems have been overcome with the help of understanding planners.

At Minster Lovell, outside Oxford, the architect Ted Cullinan recently converted and added to a range of Cotswold stone buildings that have become a very attractive place for specialised conferences.

At Minster Lovell the architect's particular skill has been to maintain an atmosphere of *traditional* building and create a place that is very much in tune with its surroundings.

Surely this is the only way to design for conferences, where, as everyone knows, the real benefits come from the informal contacts around the bar or strolls in the gardens.

The value of informality and an escape from the city into the country for debate and consultation has long been realised by those who understand the true purpose of the English country house. While there is a place for the large scale centres in our cities, more successful conferring can be done around a log fire than in any amount of specially designed super centres.



Easy to get lost in West Berlin's enormous edifice

ONE OF the largest and most significant buildings designed for the international conference trade opened a couple of years ago in West Berlin. Everything about this International Conference Centre (above) is huge. The architects, Rolf Schuler and Ursulina Schuler-Witte, worked for 15 years on the design with a staff of 80. Construction took four years and the total cost was about £200m (DM 800m).

The building is surrounded by motorways and a railway. It is connected to the large Berlin fairground by a bridge.

The scale of the whole place is enormous. On arrival by car, visitors drive into an eight lane access zone to a point where they can park or be dropped off.

An escalator gives access to the main entrance hall which leads to a long internal street. There are seven stairways and an extremely complex direction and information system that, for the first few months of operation, *baffled most people.* The main conference hall is for 5,00 people and there is a banqueting hall that seats 4,000.

There are 40 smaller halls as well as a similar number of multi-purpose rooms.

The design aim for this great building was to create, "an instrument for international communication." The problem with the building has been that it is too literally an instrument *—the technology overrides the* sense of architectural space that gives most buildings an identity. The only way that a confused visitor to the Berlin building can find his way around is by consulting the TV monitors. In the main foyers there are large neon signs to assist in orientation, and the usual confusion of international symbols for the large variety of facilities.

EXHIBITIONS AND CONFERENCE CENTRES II

Exhibitors work to meet buyers' needs

THE WORLD-WIDE economic recession has not had the disastrous impact on the exhibition industry throughout the world that many had feared. The position for most exhibition halls could be healthier—especially in terms of forward bookings — but the present position is not too gloomy.

This reflects the fact that many corporate decisions on whether to participate in particular exhibitions were taken before the onset of the world recession became fully apparent. However, more and more international companies are also realising that exhibitions offer value for money in promoting products. This is especially true at a time when sales forces are being reduced because of their increasing cost—yet there is still a need to bring buyer and seller into direct contact.

This highlights one underlying trend in the exhibitions industry in recent years, which began in the U.S. but is now on an international scale. Exhibitions, increasingly, are reflecting the interests of buyers rather offering recognition that buyers frequently have wide-ranging purchasing needs.

Design engineers, for example, who create products by asembling manufactured items, must have access to supplies as diverse as plastic, casting, electronic component and computer-aided design services. Such a broad range of interests can only be matched by a broadly based exhibition, and the emergence of the buyer-orientated trade fair reflects the marketing thinking behind many current successful exhibitions.

Economic link

"Identify what a group of customers ned and present them with a marketplace full of what interests them. If these customers come, then exhibitors cannot afford to ignore it," is the advice of Mr Richard Copley-Smith, managing director of Clapp and Poliak Europe, part of one of the largest industrial exhibition organisers in the world.

Mr Copley-Smith also sees a link betwen countries that have a strong interest in trade fairs and exhibitions and their economic strength. "It is not a coincidence that West Germany's post-war growth has been paralleled by the world's most successful exhibitions industry," he says. "The im- than sellers and mereover are pressive conference and exhibition complex opened in Berlin adds to the giant facilities already available in Hanover, Dusseldorf, Cologne, Frankfurt, Munich, Stuttgart, and Essen. All of these boast world events in their exhibition calendars."

In the U.S., moreover, virtually every major city provides large-scale exhibition and conference facilities. The well-promoted event will attract its audience wherever it is held, points out Mr Copley-Smith. "In a country the size of the U.S., it is obviously more practical for those in the industry to fly to Dallas, for example, for an oil and gas fair than to tour each equipment manufacturer separately."

West Germany's success with exhibitions is being paralleled by South-East Asia, particularly Singapore, which now boasts the busiest exhibition calendar in the area. The Canton Fair in China—for long the only gateway through the "Bamboo Curtain"—is now losing ground to the more visitor-orientated exhibitions, mainly created and organised by commercial exhibition operators from the U.S. and UK (such as Clapp and Poliak) under the sponsorship of local and national government departments in China.

In the UK, the exhibitions industry—although obviously worried by the recession—is still experiencing something of a boom. "In recent years the UK exhibition industry has grown up, become completely professional and totally respectable," says Mr Derek Lyons, managing director of International Trade Fairs. "Before this, exhibitions were too often thought of as vehicles for private entrepreneurs seeming to serve their own short-term, money-making ends. This is certainly not the case today and, slowly but surely, this fact has been recognised."

Better value

There have been several factors helping to push the exhibition boom. Promotional expenditure of exhibitions, in comparison with Press and television advertising, offers better value for money as well as being more likely to reach the target audience. Organisers and companies involved have also become more efficient in using stand design and adjusting staff levels to make exhibitions even more cost and marketing effective.

The growth in recognition for exhibitions in the UK led, not surprisingly, to an increase in exhibition capacity—much of which has come on stream in the past few years.

The National Exhibition Centre just outside Birmingham has certainly enhanced the prestige of the UK as an exhibition venue since it opened in 1976, but has also attracted much criticism for its exhibition rates and lack of local facilities. The NEC, with over 101,000 square metres of exhibition space, is the ninth largest exhibition venue in Europe. Other major venues include Hanover, Milan, Paris, Cologne, Zagreb, Frankfurt, Dusseldorf and Brussels.

One of the NEC's problems is that it came late to this international exhibition circuit and has had to cope with soaring domestic inflation rates which have pushed up stand rentals and construction costs. Critics have also highlighted the lack of hotel and entertainment facilities near the centre.

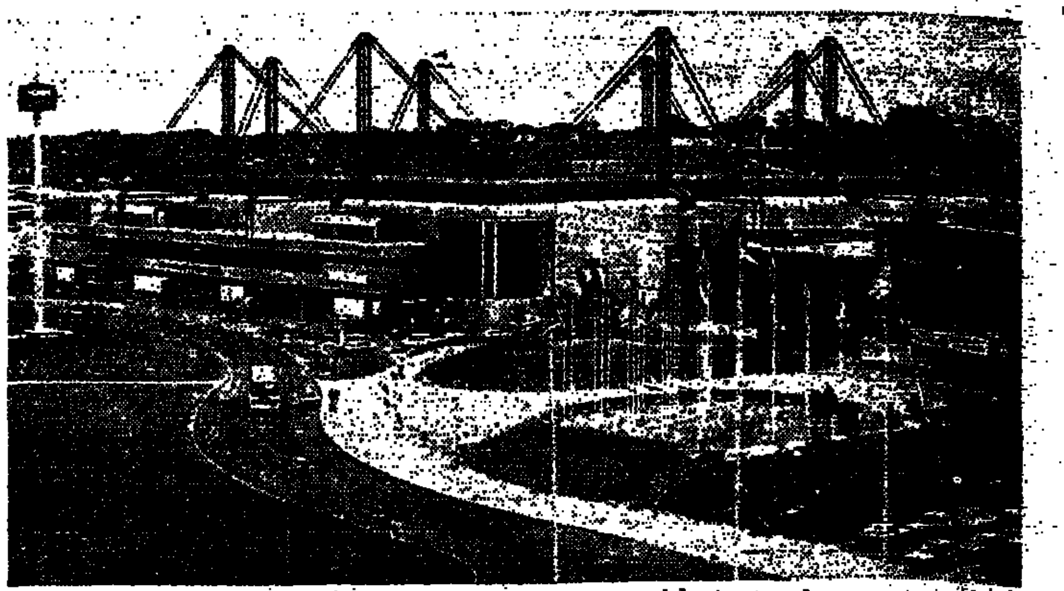
But there are some grounds for optimism about the NEC. Earlier this year, for example, it embarked on a series of ambitious promotions aimed at selling its facilities throughout Europe. The aim was to brief a wide spectrum of trade, travel and press contacts on the NEC's exhibition programme as well as to emphasise the travel and accommodation packages available to exhibitors and visitors. The new Hall 7 has also expanded the NEC's facilities as the provision of a permanent customs and clearance centre.

The NEC, however, is also facing a challenge from London, especially from the revitalised Earls Court and Olympia exhibition complex. The current refurbishment programme at these two centres is bigger than any equivalent effort in London since the war. Some £15m is to be spent between 1978 and 1984.

Earls Court and Olympia, while not offering the scale of the NEC, have the attractions of London to offer visitors. But London also suffers from the problem in recent years of being one of the most expensive capital cities in the world.

The growth in popularity of exhibitions as a marketing tactic is summed up by the fact that UK companies expenditure on exhibitions, now running at about £200m a year, represents about 8 per cent of their promotional spending. Moreover, this level is double that of five years ago.

David Churchill



The National Exhibition Centre's new Hall 7, opened last year, has an open span area of 10,000 square metres

SOME PRINCIPAL EXHIBITION CENTRES IN UK

	'000 sq m	No. of halls
Birmingham National Exhibition Centre	101.0	9
Birmingham Bingley Hall Exhibition Centre	16.2	4
London Earls Court	48.6	8
London Olympia	38.6	4
London Alexandra Palace	5.3*	2
London Barbican Centre	8.3	2
Newbridge, Royal Highland Exhibition Centre	14.0	2
Glasgow Kelvin Hall	12.7	1
Stafford New Bingley Hall	11.2	2
Manchester Belle Vue	10.3	3†
Harrogate Exhibition Centre	10.0	6
Belfast Balmoral Showgrounds Complex	8.5	4
Brighton Metropole Exhibition Centre	7.4	7
Blackpool Lobster Pot Centre	5.0	2

* 16,600 sq m in 1983. † Plus three rooms.

Source: Meeting Places.

Third World buys UK expertise

BRITISH EXHIBITION organisers have grown fast both in numbers and size in recent years, ranging from trade associations, which may only be responsible for one major event every few years, to commercial concerns operating on a world-wide basis and offering a great variety of services to exhibitors.

This growth, and the notable success of companies organising an advising on exhibitions and fairs abroad, has come about largely as a result of the fact that the UK exhibition industry is quite unlike those of the other major European countries, where there is a long tradition of large events in well-known "fair towns" or cities.

In these centres, the exhibitions or fairs have long been recognised as important revenue earners for local service industries, and have therefore been strongly supported by local and state governments, and are very often run by official bodies rather than commercial companies.

The British industry, however, has evolved quite differently, with entrepreneurs having to test the market for exhibitions of a wide variety before renting premises and taking the risk that each will achieve sufficient support to make it viable.

At the same time, a large number of ancillary industries relating to exhibitions, such as specialist travel agencies, marketing and research organisations, suppliers of materials, and many others, have grown fast in response to demand from organisers.

There has also been an increasing tendency for organisers to provide exhibitors with a package, or at least a wide variety of optional services which they can make attractive because of their ability to buy materials and services in enough volume to benefit from economies of scale.

The number of exhibitions and trade fairs overseas has also increased in recent years, mainly in response to the export activities of Western companies in developing countries, and as these countries have sought to develop as important trade centres in their own right and thus stimulate their own economies. In turn more organisers have offered their services abroad.

In general, British exhibition organisers have been remarkably successful, and now hold a significant share of the exhibition business in many parts of the world, notably in the Far East, the Middle East, and some parts of Africa.

Although ancilliary services in these areas have often been provided by British companies—with stand construction experts being flown to all parts of the world—local contractors have also been learning fast, with the result that developing countries have been gaining their own capability to assist in staging major events.

One of Britain's big international organisers is Industrial and Trade Fairs, which is also one of the largest in the world. It is also responsible for some of the biggest truly international exhibitions in Britain, such as Interplas (the plastics event) and the International Printing Exhibition, both held at the National Exhibition Centre near Birmingham.

Its growth overseas has been partly a result of its involvement with major British events abroad, often sponsored by the British Overseas Trade Board, and this has led to its being asked to stage local events.

Encouragement

Many developing countries, particularly those with oil revenues such as Indonesia, and those in the Middle East, are now actively encouraging the growth of their exhibition industries, allowing foreign suppliers to show their equipment to the best advantage.

While some of these countries already have adequate exhibition centres where companies such as ITF and Andry Montgomery, also a major UK organiser, have established the right to organise particular events regularly, there are many countries which have less than adequate facilities and the need to develop them.

Andry Montgomery, which is active in established centres such as Jakarta, Bahrain, Jeddah, Dubai and Singapore, was recently responsible for the development of a major exhibition centre in Khartoum, managing its design and construction, where a number of successful events have since been held.

The company operates a number of subsidiaries in the UK to handle particular aspects of its activities; these include one which is responsible for providing overseas exhibition services, while another acts as a UK space-selling agent for a large range of overseas events.

The company, which is privately owned, established its reputation in the building sector and was forecasting around 140,000 at this year's Interbuild exhibition at the NEC. It has long since branched out into a number of areas, such as into events connected with the food industry.

Mr Bryan Montgomery, managing director of the company, is optimistic about the growth of exhibition business abroad, pointing out that many developing countries now wish to broaden the range of their supplier countries, partly for political reasons, but also because they want to be able to choose the best equipment for their needs.

Within Europe, the opportunities for new exhibiton business are now fairly limited, since various companies and organisations have become entrenched as the "proprietors" of most of the large events and anyone undertaking competitive exhibitions faces a considerable risk, particularly at a time when support is weaker than normal.

Opportunities

Nevertheless, there are opportunities for new events, such as the wine and spirits exhibition being started by ITF at Olympia in June, which the company believes will fill a gap in the market. There are also opportunities, some organisers believe, created by increased specialisation in all sectors of industrial exhibitions.

As established events have become larger and larger, and visitors have become less inclined to spend a great deal of time looking for the particular things which interest them, it has become clear that there is room for smaller events.

Another important organiser in foreign countries is Clapp and Poliak, which is strong in the U.S., Europe and the Far East, with many of its events abroad being organised through its American and European offices.

It recently staged a factory management event in Cologne, similar to one held in the U.S., braving the hostility of the German exhibition industry, with considerable success. Significantly, Brintex, which has only limited involvement abroad, is also planning a series of events in Germany, an attractive market because of its size, but a highly competitive one.

Similar problems are also experienced in France, where licences must be obtained for foreigners to stage exhibitions, while conditions elsewhere in Europe are generally somewhat easier, but still restrictive in many ways.

Mack - Brooks is another notable British company operating abroad, while there is also a small number of concerns with one or two regular foreign events, such as shipping exhibitions. However, they are beginning to see increased competition from German and French concerns which are aware of the growth potential in some fast-growing countries and are making some inroads.

Britain's success in this field can also be attributed partly to the historic lack of support which UK exhibitions have received from industry, since promotional budget spending in this area, though increased recently, is well below that in Germany, where events have traditionally been larger and better attended.

Lorne Barling

Organisers gain from others' failures

IF YOU are a university graduate, highly numerate, speak French and preferably another foreign language and are unlikely to flap when handling a budget of six figures there could be room at the top for you in conference organisation.

Mrs Anthea Fortescue, managing director of Conference Associates, a London-based company which is busy at present planning big international meetings up to 1985, set out these qualifications as an indication of her young industry's determination to become even more expert and wide-ranging.

Not so many years ago, professional conference organisers were unheard of. A conference—certainly in the UK—was a fairly amateurish affair. Delegates and visitors had a good time, but what the professional organisers claim they have added to the conference and exhibition scene is a real guiding hand that takes over everybody's problems—from a loose electric plug in an hotel bedroom to that special trip which isn't on the agenda.

There are 25 UK companies offering a conference organising service listed in the handbook of the Associations of Conference Executives. But how is the conference organisation industry faring in a period of recession?

Mr Rob Spalding, editor of a magazine called Conferences and Exhibitions, says: "Business is booming. Some of the smaller conferences are feeling the pinch, but the big international meetings are increasing."

As another conference executive put it: "It seems that in good times there are lots of people who want to meet and talk about success—in bad times there are just as many wanting to meet and talk about failure."

This confidence is echoed by Diana Ambrose, a director of Conference Services, a London-based company which organises big international meetings in what is known as "the association market"—trade associations and professional bodies organising meetings with as many as 1,000 delegates from all over the world.

"There is no decline in the number of delegates," Diana Ambrose says. "What is happening is that people are expecting more value for money. We have much tighter budgets and they want more for the same money they paid last time. This brings problems—do we give them less fancy brief cases, for instance? And we're constantly looking around for more sponsorship."

British conference organisers are always looking abroad for possible venues, but, according to Mrs Fortescue, London is still top of the league for international meetings. "As the figures are drawn up year by year," she says, "Paris often takes the lead, but currently London is top again. I see no sign of the recession hitting our type of business."

What does a professional conference organiser offer? "Everything." Mrs Fortescue says. "You've got to realise that some of these big international organisations have no real central body to co-ordinate internationally — maybe they have a small secretariat somewhere like The Hague, but without the staff for the organisation needed for their meeting.

"We handle everything for them, from the writing of the budget, collecting the fees, handling print contracts, audio-visual support and recruiting conference staff—sometimes as many as 100 people.

"My company is planning for four or five years ahead—we've already started on arrangements for an international congress of property protection lawyers at the Barbican in 1986." To give an idea of the amount of money involved, the budget of a 2,000-delegate conference in 1982 is in the region of £350,000. Another one in 1984 will cost an estimated £500,000.

Traumatic

To handle this work, Mrs Fortescue says, people who can deal with "traumatic experiences" are required. These can amount to coping with an angry American who turned up a year early for an international meeting and had to be looked after and flown home after his fairly pointless stay in London. It involves keeping busy delegates happy during an hotel power cut and even organising solicitors' letters for visitors who are not satisfied with one thing or another.

"I have learnt never to be without a screwdriver," says Mrs Fortescue. "You never know when you have to change an electric light plug in the absence of hotel maintenance staff."

Professional conference organisers now have an international association, of which Mrs Fortescue is a UK council member. The International Association of Professional Conference Organisers (IAPCO) was founded in 1968. Its members include professional organising companies, people employed in the congress department of trade associations and companies and others needed to plan international meetings.

It is concerned with research as well as increasing the recognition of professional conference organisers and watching standards in the industry.

As the number of international meetings increases, so do the calls on such an organisation. Problems crop up constantly as organisations look wider afield for conference venues. One question worrying conference organisers at present is the development of Nice, where President Mitterrand's policies are threatening the Riviera resort's up-market image.

His Government's plan is to transform Nice into what has been called "a centre for social tourism" which experts believe plainly means going down-market and this, at a time when a new Nice conference centre is being built, worries the organisers.

All these problems face conference organisers. But Mrs Fortescue and her colleagues feel they can cope — from French Socialist policies to what to do about the lavatory doors during a conference at a single-sex college.

Alan Forrest

SOME PRINCIPAL EXHIBITION & CONFERENCE CENTRES IN U.S.

('000 sq m)

Chicago, McCormick Place-on-the-lake, Illinois	77.2
Plus Donnelly Hall	32.6
Houston, Astro Hall, Texas	69.8
Louisville Fair and Expo Centre, Kentucky	65.1
New York Convention Centre, New York	65.1
Las Vegas Convention Centre, Nevada	55.8
Anaheim Convention Centre, California	49.8
Dallas Convention Centre, Texas	48.8
Atlantic City Convention Hall, New Jersey	48.6
Greensville Textile all, South Carolina	43.8
Tulsa Exposition Centre, Oklahoma	42.4
Cleveland Convention Centre, Ohio	41.9
Detroit Cobo Hall, Michigan	37.6
Philadelphia Civic Centre, Pennsylvania	35.5
Washington DC Convention Centre, Washington DC	34.9
Georgia World Congress Centre, Georgia	32.6
Chicago Navy Pier, Illinois	32.3
Los Angeles Convention Centre, California	31.5
San Francisco Moscone Centre, California	31.5

Hotels welcome trend to small gatherings

ONE MAJOR PROBLEM with the large conference or convention is that delegates often feel swamped by the sheer enormity of the proceedings. Consequently, the growth area in conference organisation over the past few years has been in smaller, more specialist gatherings of senior management, politicians or international delegates.

The advantages of a small conference held in convivial surroundings are considerable. Companies can bring together executives for a "brainstorming" session away from their normal distractions; talks between management and unions can be kept secret; and physical security can be tightened considerably—especially important for international conferences.

The small conference also has the benefit of letting each delegate participate more fully in the proceedings and for the organiser of ensuring that he is getting the best out of the sessions. Smaller conferences also enable a far wider range of topics and specialist issues to be covered in more depth than at the broader, more embracing, large conferences held in major cities.

This trend towards the smaller conference has been welcomed by the UK hotel industry, especially those owners of select retreats in the country. These are increasingly being offered as up-market retreats for top executives who want to combine discreet business with pleasant surroundings.

The country hotel is increasingly being run by top-grade management and staff — sometimes successful managers of large city hotels who have set up on their own and are using business contacts built up over the years.

However, not all small hotels are able to provide the very high standards of accommodation and catering demanded by companies. The cost of the accommodation is not usually the prime factor, but the hotel must have fully-equipped rooms, pleasant meeting facilities and a top-class restaurant. Often the hotel that can offer these facilities will win recognition in one or other of the top restaurant or hotel guides.

'Immense range'

The English Tourist Board earlier this month launched its own attempt to generate business for stately homes and other historic buildings. It published a guide to 70 such places of interest which also offer facilities for conferences, receptions, exhibitions, and other business uses.

Countess Spencer, a member of the British Tourist Association's infrastructure committee, said that the book "shows the immense range of houses where you can stare at the gilded tables if the seminar gets boring, or admire the gorgeous Lely beauties when the finance director goes on and on about cash flow."

"Unilever have been to Ragley, American Express and Aston Martin to Goodwood, Coca Cola to Leeds Castle, while we at Althorpe have had engineers from Indianapolis, and British Leyland Trucks and Buses," she added. "We know a clever tour operator who takes conferences wives for tea and dinner in cosy manor houses, while the top executives lunch in ducal dining rooms."

One example of the many specialist conference centres being set up is Castle Ashby, an Elizabethan house set in 200 acres of English park landscaped by Capability Brown. About one and a half hour's drive from central London, it will eventually devote eight separate rooms and a total floor area of nearly 500 square metres to conference use, with an additional 650 square metres of exhibition area in the stately courtyard, which can be covered by a marquee.

Castle Ashby does not offer hotel facilities as well as conferences, which can be a drawback for those companies which want to spend their entire time in seclusion.

A good country hotel operation can find itself with a selection of companies which will hold meetings for 10 or 20 people on perhaps a monthly basis and also run short, intensive training courses. This means, however, that such hotels have to be prepared to offer rooms at all times, not just in the out of season periods.

Effect on others

One dilemma for the country house type of hotel which gets involved in business conferences is the effect on other guests. In the same way as a hotel of 500 rooms can be swamped by a conference with 300 delegates, so a conference of only 15 people can quickly take control of a 30-room hotel.

Yet in these recessionary times, not all companies can afford—or want—the "money-no-object" type of discreet hotel available. An alternative, which does not want to turn away conference business in the high summer, is the universities. It is only fairly recently that universities have geared themselves in a major way to filling their empty halls of residence and lecture theatres with conferences during the long vacations.

The advantage of holding conferences on a campus are purpose-built seminar and conference rooms, a quiet location and low cost. It is still possible to obtain a conference holiday package for around £12 a person a day excluding VAT. This covers overnight accommodation, meals, refreshments and use of some of the finest meeting space available. Recreational facilities are also usually to hand, too.

The drawback, of course, is that the accommodation is not up to the standards usually enjoyed by the travelling businessmen, but most campus rooms have a washbasin, although bathroom and kitchen facilities have to be shared.

The British Universities Accommodation Consortium is the body set up to market campus accommodation and facilities. It can offer conference accommodation in most parts of the UK.

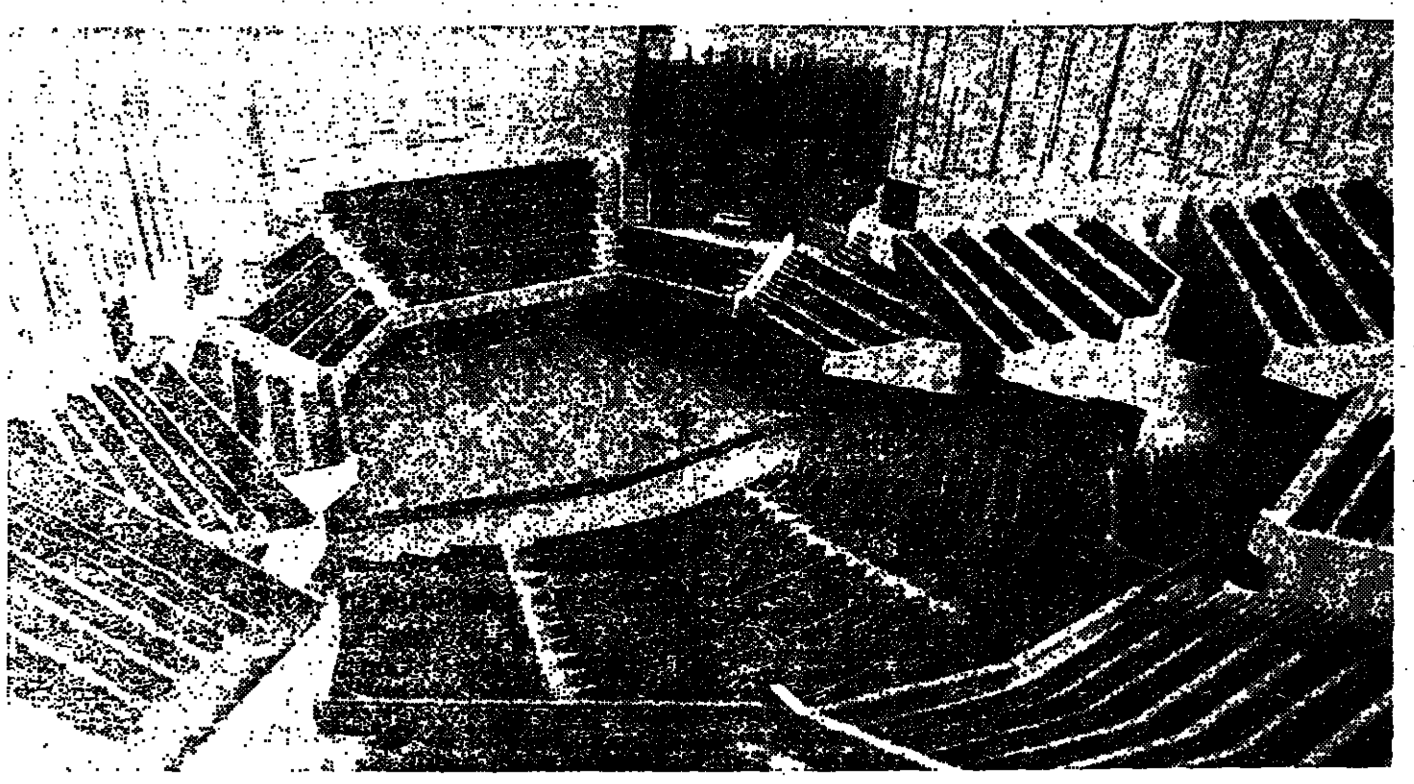
A more exotic conference can be had on one of the major cruise liners. Rather than chartering the whole ship—which would be very expensive—conference organisers can take standard packages and arrange special facilities on board.

The Royal Viking Line, for example, which has three cruise ships, will accommodate such conferences. Royal Viking is an up-market cruise company which appeals to the senior manager. But Royal Viking has also organised conference packages for groups ranging from the National Trust for Historic Preservation to the Metropolitan Opera National Council.

But such cruises are not cheap, and the real opportunities for growth in the small conference area remain the relaxing atmosphere generated by a country hotel.

David Churchill

New hall for Cardiff next year



ST DAVID'S HALL, Cardiff (right), to open next autumn, will seat 2,000 in its air-*conditioned auditorium.* Conference facilities will include multi-lingual translation booths, closed circuit television and arrangements for TV and radio coverage.

The hall is also to be used for films and music and the *platform will accommodate* up to 120 musicians. The platform layout can be altered by eight hydraulic lifts which will raise or lower its sections.

The auditorium is constructed of reinforced concrete with infill panels of plastered brickwork and blockwood to cut out external noise.

St David's Hall is centrally *placed within walking distance* of city centre hotels.

Travelling soothes the troubled brow

THERE IS, so the experts claim, no greater incentive that can be offered the weary worker than travel. For that reason the incentive travel market has grown rapidly over the past decade.

It is a business, however, with blurred edges. At one extreme it is simply a free airline ticket for the chap who sells more washing machines than anyone else. In the middle it is the conference cum sales meeting held in some glossy location, with spouses invited, and at the other end it is selection for manning the stand at the next exhibition in Bangkok.

The demands of the incentives market are, of course, rather different from those of the traditional conference and exhibition business. The location becomes of much greater importance if the visit is being *offered as a reward. Not every* salesman would see three days at an airport hotel—much favoured by corporations for meetings because of the ease of communication and the isolation from city temptations—as a great reward for effort during the year.

But Hong Kong, London, Paris and Hawaii are glittering prizes where after-hours entertainment is part of the package rather than a distraction from ordinary business.

*The problem with the incen*tive travel market at the moment is that it is fraught with dangers for the uninitiated. Not only is there the obvious *one of tax—giving a prized cus*tomer a two-week holiday in Fiji is all very well but it may turn sour when he gets a bill from the tax authorities—but there are various others which suggest that the buyer should place himself in the hands of experts.

Time and place

Not the least of these concerns is the fact that quite often destinations are trying to off-load capacity which cannot be sold elsewhere. It may be obvious that two weeks in Wigan or Clermont-Ferrand in February is not the best of rewards, but somewhat fewer people realise that October can be a *stormy month in Florida.*

The best of incentives cannot be bought on the cheap, simply because the person who is being rewarded will feel *short-changed if it later becomes* clear that he is being offered much less than the best. A clever consultant will get the best at the right price.

The other misfortune to this business is that many a Johnny-come-lately has moved into the incentive consultancy business simply because of the problems involved for any company which chooses travel as an incentive tool. It is a foolish customer in this field who does not carefully check recent experience *among clients of any* company or consultancy which is under consideration.

Clearly the motive of the person or company offering the in*centive is to encourage others to* work as hard to produce business. The motives of everyone else concerned centre around profit — with the exception that *is of the recipient of the prize,* who wishes to be feted and honoured.

In spite of this last point you will still find companies rewarding staff or outlets with luxury hotels in distant parts and then *not providing any spending* money. The unfortunate worker then finds himself, probably with family, on some glossy beach where the cost of a single *Pina Colada would take a week's* earnings. An all-expenses weekend in Palma or Eastbourne would have been more effective. The poor fellow then arrives *home* to be greeted by the Inland Revenue.

Sophistication

But that is, of course, the rough end of the business. Life is becoming much more sophisti*cated. Increasingly, companies* are running meetings where the added attraction is a few Centre Court places for Wimbledon; boxes at Longchamps; or seats at the Met. As you fight your way into your much prized first night seats you can be sure that the merry crowd of Japanese who "sorry" themselves into place at the last minute are on an incentives tour.

The choice of event has to be made with extreme care. Incentive industry moles suggest that, in Britain at least, FA Cup Final and the top racing day tickets rate very highly. Cricket match tickets do not carry very much status. The eager entertainer can, however, be versatile in his horizons. I have been dog racing in Alabama, seen Thai boxing in Bangkok and been *wooed with sled races in Alaska.*

The incentives peripheral to conferences and exhibitions is now so common as to have developed increasing selectivity among the consumers of such awards. More and more, the winners are unlikely to accept without the presence of their spouses; less and less is the night in town with a naughty night club afterwards likely to be regarded as the bees knees.

The "spouse business is becoming complicated. The harsh fact is that while the vast majority of prize winners are usually male, *it is often the case* that there will be a peppering of women who have brought husbands or boyfriends. It is not an easy game for the traditional*list who believes that the strip* clubs and the massage parlours are what the boys really want to see.

Thus there is no question but that travel, with travel oriented attractions, is still by far the biggest single incentive that can be offered after pay and working conditions, but it is increasingly a management tool that has to be used with care and sophistication.

Arthur Sandles

Mr. Terry Golding, chief executive of Britain's National Exhibition Centre, talks to Lorne Barling.

Four years' work puts Birmingham on the map

THE CHIEF executive of Birmingham's National Exhibition Centre, Mr Terry Golding, has seen some major achievements during his four years of office—most notably the centre's move into net profit for the first time this year.

Formerly financial and commercial director of Earls Court and Olympia, Mr Golding came to the NEC job with 17 years of experience in the exhibition business behind him, and has been able to apply this successfully to building up the NEC's volume of exhibitions. A new 10,000 sq metre hall was added this year, bringing total space to more than 100,000 sq metres.

The NEC, funded largely by the City of Birmingham, has had 3.5m visitors, and is among the busiest venues in Europe. It is also the most modern of its kind, and will benefit further from the sum of around £50m now being spent on improving nearby Birmingham airport, including a revolutionary magnetic levitation transport system to the NEC.

Perhaps the most notable development, however, is the fact that according to Mr Golding, an increasing number of show organisers, such as Britain's Society of Motor Manufacturers with their Motor Show, are now signing long-term agreements to hold exhibitions at the NEC.

"These are the major events around which we build our annual programmes. Such agreements give organisers the dates they want and some protection against inflation, while they give us assured events for years ahead," Mr Golding said.

Although the NEC's programme for this winter is full, the size of exhibitions is likely to be down by between 10 and 15 per cent, according to Mr Golding, largely as a result of the recession, and the summer's events are likely to be thinner than usual. However, the outlook for the following two years is good.

Another effect of the recession has been to heighten the already tough competition in Europe for the major events which move around various centres, with considerable price undercutting. It is in this category of the really big exhibitions that the NEC finds itself at a slight disadvantage.

In size, the NEC is only just in the list of the top ten largest centres in Europe, with the largest situated in Germany, France and Italy, and it can only accommodate the larger events by providing additional temporary

Mr Golding: exhibitors get more for their money

space. Moreover, organisers are reluctant to move some of these events away from the Continent.

The NEC narrowly missed winning ITMA, the textile machinery exhibition this year, which went to Milan, but believes that in time it will win more such events, despite the high levels of subsidy which some foreign centres are known to receive from government and city authorities.

There is also a trend towards breaking down these very big events, many of which are becoming unwieldy and impractical for visitors, perhaps requiring a full week to see. For that reason—together with the recession—further expansion of the NEC is unlikely in the near future unless it wins a number of big events which warrant further expenditure, according to Mr Golding.

This year, the NEC has been able to show a gross profit of around £8m, although this is reduced to a net profit of just under £1m after interest and debt redemption. Mr Golding points out, however, that the recent rises in interest rates will add considerably to the NEC's burden in future, and it is unlikely to do better than break even in the current financial year.

Exhibition organisers have also been hit by the lack of capital investment by industry, since many manufacturers have been holding back promotional activities until there are signs of economic recovery. On the other hand, the long-range planning that goes into exhibitions means that the response to events in 1983 and 1984 has so far been good, clearly in the belief that demand will be stronger by then.

In the meantime, the NEC is determined to remain competitive in the level of its charges. Mr Golding believes it is better to keep the halls full at lower rates rather than risk having them empty, preferring to make marginal profits than none at all, and this policy has been endorsed by Birmingham Council.

It is estimated that the NEC generates local spending by visitors and exhibitors of around £45m a year and has created around 3,000 permanent jobs in the West Midlands. On these grounds alone, it is therefore important that the level of activity at the NEC is maintained.

Mr Golding's response to complaints that charges at NEC events are higher than in some older centres is that NEC facilities are the most modern in Europe. Moreover because the facilities are new, debt charges have to be met.

TELEVISION

BBC 1

12.30 pm News After Noon. 12.57 Regional News for England (except London). 1.00 Pebble Mill at One. 1.45 Pigeon Street. 2.00-2.12 When the Bough Breaks. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Mighty Mouse. 4.25 Jackanory. 4.40 Scooby and Scrappy-Doo. 5.00 John Craven's Newsround. 5.05 Blue Peter. 5.35 The Amazing Adventures of Morph.

5.40 News.
6.00 Regional News Magazines.
6.25 Nationwide.
6.55 Tomorrow's World.
7.20 Top of the Pops.
7.55 Blankety Blank (last in series).
8.30 Seconds Out.
9.00 Nine O'Clock News.
9.00 News.
9.25 Tenko.
10.20 Question Time with Robin Day.
11.15 News Headlines.
11.20 International Show Jumping from the Grand Hall, Olympia.

Chris Dunkley: Tonight's Choice

ITV excels itself today: Five second American programmes and one Australian, three game shows and eight repeats. No wonder the BBC holds up so well in the ratings. Not that the BBC is offering the world's greatest broadcasting schedule tonight either. BBC-2's **Living On The Land** is another repeat, but at least it merits a second look: "John James the Sheepdog Man" spend a week on the farm with the trainer of national champions. **M.A.S.H.** reaches the episode in which Radar leaves the 4077th.

Today in **Forty Minutes**, a series that's nothing if not varied, Philip Bonham Carter shows a collection of "Children's Parties".

BBC 2

11.00 am Play School.
12.00-1.30 pm Open University.
3.55 Women of our Time.
4.45 The Camera and the Song.
5.15 Personal Pleasures with Sir Hugh Casson.
5.40 Daredevils of the Red Circle.
6.00 Monster Movie: "The Legend of Boggy Creek."
7.20 Cartoon Two.
7.30 News Summary.
7.35 MacLeod's Russia.
8.00 Living on the Land.
8.30 Russel Harty with guests.
9.00 M*A*S*H.
9.25 Forty Minutes.
10.05 God's Island.
10.20 World's End.
10.45 Newsnight.
11.30-12.10 am The Old Grey Whistle Test.

LONDON

9.30 am Rocket Robin Hood. 9.50 Asian Insights. 10.15 Young Ramsay. 11.05 Welcome Back, Kotter. 11.30 The Further Adventures of Oliver Twist. 12.00 Little Blue. 12.10 pm Get Up and Go! 12.30 The Sullivans. 1.00 News plus FT Index. 1.20 Thames News. 1.30 Taff Acre. 2.00 Afternoon Plus. 2.45 Hazell. 3.45 Three Little Words. 4.15 The Walt Disney Classic. 4.20 Little House on the Prairie. 5.15 Take the Stage.

5.45 News.
6.00 Thames News.
6.25 Sounds Like London.
6.55 The Streets of San Francisco.
7.50 High Noon, Part II.
9.30 TV Eye.
10.00 News.
10.30 Minder.
11.30 Enterprise.
12.00 What the Papers Say.
12.15 am "Sit Up and Listen."

† Indicates programmes in black and white.

All IBA Regions as London except at the following times:

ANGLIA

9.30 am Sesame Street. 10.30 Marie Gordon-Price in Concert. 10.55 Bowls Spectacular. 11.55 Wattoo Wattoo. 1.20 pm Anglia News. 4.15 Dick Tracy. 4.20 Vicky the Viking. 4.45 The Further Adventures of Oliver Twist. 6.00 About Anglia. 6.50 Crossroads. 7.15 Benson. 10.30 Darts. 11.30 Hagen. 12.25 am Nazareth Was My Home.

ATV

9.25 am The Land of Lots of Time. 10.15 Family Hour. 11.00 Sesame Street. 12.30 pm A New Kind of Family. 1.20 News. 4.15 The ATV Thursday Picture Show. 6.00 ATV News. 6.05 Crossroads. 6.30 ATV Today. 7.15 Take the Stage. 10.30 Here and Now. 11.00 The Medicine Men. 11.30 ATV News. 11.35 Project UFO.

BORDER

9.30 am Nearer Wilderness. 10.20 Morning Matinee. 1.20 pm Border News. 4.20 Vicky the Viking. 4.50 240-Robert. 6.00 Lookaround Thursday. 6.35 Hear, Here. 6.50 Crossroads. 7.15 Take the Stage. 10.30 Marie Gordon-Price. 11.00 The Medicine Men. 11.30 Border News Summary.

CHANNEL

1.20 pm Channel News. 4.15 Cartoon. 4.20 Banana Splits in Hocus Pocus Park. 5.15 Take the Stage. 6.00 Channel Report. 7.00 Benson. 7.30 Curtain Raiser. 10.28 Channel News. 10.32 Simply Sewing. 11.00 The Medicine Men. 11.30 Barney Miller. 12.00 News and Weather in French.

GRAMPIAN

9.40 am First Thing. 9.45 Patterns. 10.05 Wonders of the Underwater World. 10.35 Wild, Wild World of Animals. 11.00 Cities. 11.50 Larry the Lamb in Toytown. 1.20 pm North News. 4.15 Magilla Gorilla. 4.20 The Flying Kiwi. 4.50 Sport Billy. 6.00 North Tonight and Area Weather Forecast. 6.40 Police News. 6.45 Crossroads. 7.15 The Entertainers. 10.30 Barney Miller. 11.00 The Medicine Men. 11.30 Seachd Laithean. 11.45 Superstar Profile. 12.15 am North Headlines and Area Weather Forecast.

GRANADA

9.30 am Diary of Civilisation. 10.15 Cool McCool. 10.35 The Beachcombers. 11.00 Sesame Street. 1.20 pm Granada Reports. 4.20 Survival. 4.50 Little House on the Prairie. 6.00 Granada Reports. 6.40 This Is Your Right. 6.45 Crossroads. 7.15 Take the Stage. 10.30 Celebration. 11.00 The Medicine Men. 11.50 Tenspeed and Brown Shoe.

HTV

9.45 am How the West was Won. 11.20 European Folk Tales. 11.35 Survival. 1.20 pm HTV News. 4.15 Pepe le Pew. 4.20 Story Hour. 5.10 Jobline. 5.20 Crossroads. 6.00 Report West. 6.45 Definition. 7.15 Take the Stage. 10.28 HTV News. 10.30 The Way to Freedom City. 11.15 Vegas.

HTV Cymru Wales—As HTV West except: 12.00 Cei Cocos. 1.30 pm Definition. 4.20 The Adventures of Black Beauty. 4.45 Ser. 5.10 Daffy Duck. 6.00 Y Dydd. 6.22 Report Wales. 6.45 Sports Arena. 10.30 A lot of Happiness. 11.45 Vegas.

SCOTTISH

9.30 am Under Kilimanjaro. 9.55 Out of Town. 10.20 Thursday Matinee: "The Oracle." 11.35 Father Dear Father. 1.20 pm News and Road and Weather. 5.15 Tiddlers Tales. 6.00 Scotland Today. 6.30 Bodyline. 7.15 Take the High Road. 10.30 Encore for the Arts. 11.00 The Medicine Men—Hypnotism. 11.30 Seachd Laithean. 11.45 Late Call. 11.50 International Darts.

SOUTHERN

9.30 am Lost Islands. 9.55 Cardboard Cavalier. 11.30 Out of Town. 1.20 pm Southern News and Weather. 4.15 Popeye Cartoon. 4.20 Puff the Magic Dragon. 4.50 The Flying Kiwi. 6.00 Day by Day. 6.30 University Challenge. 7.00 Take the Stage. 7.30 To Sir With Love. 10.30 Roots. 11.00 The Medicine Men. 11.30 The New Avengers. 12.30 am Weather Forecast followed by Rome Comes to Canterbury.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 9.30 Bailey's Bird. 9.55 Birds Underwater. 10.20 Morning Movie. 11.50 European Folk Tales. 1.20 pm North East News and Lookaround. 3.45 Benson. 4.15 Cartoon Time. 4.20 The Further Adventures of Oliver Twist. 4.50 Tarzan. 6.00 North East News. 6.02 Crossroads. 6.25 Northern Life. 7.15 Take the Stage. 10.30 North East News. 10.32 Job Slot Extra. 10.35 Barney Miller. 11.00 Come In . . . . 11.30 The Medicine Men. 12.00 A Good Tomorrow: "That Baby," with Howard Williams.

ULSTER

1.20 pm Lunchtime. 4.13 Ulster News. 5.20 Crossroads. 6.00 Good Evening Ulster. 6.50 Police Six. 7.00 Cartoon Time. 7.15 Take the Stage. 10.29 Ulster Weather. 10.30 Counterpoint. 11.00 The Medicine Men. 11.30 Bedtime.

WESTWARD

9.35 am *Larry the Lamb in Toytown*. 10.10 Thunderbirds. 11.00 Nova. 1.20 pm Westward News Headlines. 4.15 Cartoon. 4.20 Banana Split in Hocus Pocus Park. 6.00 Westward Diary. 6.35 Crossroads. 7.00 Benson. 7.30 Curtain Raiser. 10.32 Westward Late News and Weather. 10.35 Westward Report. 11.00 The Medicine Men. 11.30 Barney Miller. 12.00 Faith For Life. 12.05 am West Country Weather and Shipping Forecast.

YORKSHIRE

9.30 am Sally and Jake. 9.40 Antarctica. †10.30 Rhodes of Africa. 1.20 pm Calendar News. 4.15 Cartoon Time. 4.20 Puff the Magic Dragon. 4.50 Tarzan. 6.00 Calendar. 6.50 Crossroads. 7.15 Take the Stage. 10.30 International Bowls. 11.00 The Medicine Men. 11.30 The Amazing Years of Cinema.

RADIO

(S) Stereophonic broadcast
‡ Medium Wave

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Dave Lee Travis. 2.00 pm Paul Burnett. 5.00 Peter Powell. 5.30 Newsbeat 6.05 Top 30 Album Chart. 7.00 Paul Gambaccini with an appreciation of Carole King. 8.00 David Jensen. 10.00 John Peel.

RADIO 2

5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 John Dunn (S). 2.00 pm Ed Stewart (S). 4.00 David Hamilton (S). 5.45 News. 6.00 David Symonds (S). 8.00 Country Club (S). 9.00 Alan Dell (S). 10.00 The Spinners and Friends. 10.30 Star Sound Extra. 11.05 Brian Matthew. 1.00 am Truckers' Hour (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer (S). 10.00 An English Vision of Peace (S). 10.35 Parikian-Fleming-Roberts Trio (S). 12.05 pm BBC Welsh Symphony Orchestra (S). 1.00 News. 1.05 Concert (S). 1.55 Trio Mobile (S). 3.05 The Songs of Mussorgsky (S). 3.30 Gielen and the BBC Symphony Orchestra (S). 4.20 Milhaud, Henze and Martinu (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 Letter from New York. 7.30 The Soldier's Fortune (S). 9.15 Words. 9.20 Piano Music by Barber (S). 10.00 The Fiddler's Fiddler (S). 11.00 News. 11.05-11.15 Brendel Plays Liszt (S).

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.30 Today. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Checkpoint. 9.30 The Living World. 10.00 News. 10.02 Enterprise. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Analysis. 11.50 Enquire Within (S). 12.00 News. 12.02 pm You and Yours. 12.27 Top of the Form. 1.00 News. 1.35 A Party Political Broadcast. 1.40 The Archers. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre. 4.00 Home Base. 4.15 Bookshelf. 4.45 Story Time. 5.00 PM: News Magazine. 6.00 The Six O'Clock News. 6.30 Any Answers? 6.55 It's a Bargain. 7.00 News. 7.05 The Archers. 7.20 Time for Verse. 7.30 Carols from Liverpool (S). 8.15 Lies My Grandmother Told Me. 8.35 Carols from Liverpool (S). 9.30 Kaleidoscope. 10.00 The World Tonight: News. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News. 12.15-12.23 am Shipping Forecast: Inshore Forecast.

BUSINESS LAW

BL skates on thin ice

BY A. H. HERMANN, LEGAL CORRESPONDENT

BRITISH CARS can be purchased cheaper in Belgium than in the UK, but British motor car manufacturers do not like to see them brought back and spoil the domestic price structure: that much is certain.

Whether they also give expression to their dislike in a way which infringes the competition rules of the EEC will be for the EEC Commission to say.

The Consumers' Association, which had earlier prepared a kit to facilitate customs and registration formalities for would-be individual re-importers of British cars is now working on a dossier for the Competition Department of the Commission. Its complaint will be that British Leyland and other British car manufacturers have taken steps to prevent such re-imports or to make them more difficult.

The manufacturers may not be too worried about individual purchasers but are bound to take more seriously the establishment of a regular trade link—and a few specialist firms have appeared on the market already. There is, however, very little the manufacturers can do without exposing themselves to very heavy fines.

In 1979 the EEC Commission imposed fines totalling £4.4m on Pioneer Electronic (Europe) and its distributors and associated companies in Germany, France and the UK*. As the case law on export bans is now well established, the EEC Commission tends to step up the fines, which in theory can go up to 10 per cent of the entire turnover of the group concerned.

It has been alleged that Belgian salesmen of BL cars received written instructions from the main BL dealer in Brussels, telling them to discourage customers from buying right-hand-drive cars or any car for export to the UK and to warn them of a 12 months delivery delay, ask for a 25 per cent deposit and require customers to accept liability for all charges and inconveniences which might be caused to BL by the transaction.

If this is true, BL seems to be heading for the spot on which the EEC Commission discovered Mr Robert Todd, managing director of Pioneer UK, when he urged his UK distributors not to re-export to France. He closed one of his letters, "I am well aware of EEC rules regarding parallel exports but, quite frankly, at times I am more concerned with justice than the law itself"—justice in this case being to leave the French higher price level undisturbed. It cost Mr Todd's company £195,000.

However, British car manufacturers have no need to look for guidance to importers of hi-fi equipment—they can find it in the two BMW cases, one of which the company lost in the European Court in Luxembourg, the other in the Federal Supreme Court in Karlsruhe.

In 1975 BMW was in much the same position as some British motor car manufacturers at present. Its cars were being re-exported to Germany from Belgium at cut prices. BMW had previously notified their standard agreement with dealers to the EEC Commission and received an exemption allowing it to prohibit resale of its cars to unauthorised dealers.

This exemption, however, did not authorise BMW to stop Belgian distributors from selling cars to individual German buyers or to agents acting on its behalf. The Munich headquarters, therefore, proceeded with great circumspection when intimating to BMW Belgium that they did not like to see this happening.

The Belgian subsidiary was not so careful. It warned dealers that further re-exports to Germany would result in a reduction of supplies and its circular ended with very plain words ". . . there is only one solution: henceforth no BMW dealer in Belgium will sell cars outside Belgium or to firms who propose to export them."

The dealers were asked to signify their agreement by signing a copy of the letter. Of the 50 dealers, 48 signed on the dotted line and got themselves into trouble. The Commission imposed fines on BMW Belgium and on the 48 dealers, and no amount of expert wriggling by famous EEC lawyers helped them in the European Court.

The Commission's decision† was confirmed by the European Court‡ in July 1979, and in October of the same year the Federal Supreme Court handed down a most important judgement§ concerning the same events and opening up the possibility of suing in German courts for damages caused by an infringement of EEC Competition rules.

The action was brought by MGH Motorgesellschaft, one of the firms who imported BMW cars from Belgium until it was prevented by the instructions given to Belgian distributors of BMW cars.

It was disputed whether the German company bought the cars on its own account or only as an intermediary for German clients. The regional court in Bielefeld dismissed the action on merits. The appeal court in Hamm, however, held that it was inadmissible because the dispute was not within the jurisdiction of German courts.

When the case reached, on further appeal, the Federal Supreme Court it was held that German courts had jurisdiction over claims for damages arising out of anti-competitive behaviour prohibited by Article 85 of the EEC Treaty, if this behaviour had an effect on the German territory. And the export ban arranged in Belgium by the BMW subsidiary did have an effect in Germany.

The question must now be asked whether English courts would not come to a similar conclusion and whether the same objective pursued by the Consumers Association in Brussels could not be achieved in the High Court. As there is no possibility of bringing a class action on behalf of unidentified consumers, the Consumers Association could not sue but it could finance such an action by someone directly affected by the measures taken by the manufacturers against re-imports of British cars.

Is such an enforcement of competition rules by private suit, so important in the U.S., possible also in the UK? According to some authors¶ it is not; according to others|| it would require a ruling of the European Court to make it possible. I think that no such ruling is required. There seems to be no reason why the aggrieved party could not sue in tort when its legitimate interests were injured by "unlawful means," a category which should embrace an infringement of EEC rules. Or it could bring an action for damages caused by breach of a statutory duty, as the observance of EEC rules is a statutory requirement under the 1973 Community's Act.

The point is that neither the bucket-shop importers nor the Consumers Association are likely to get together enough money to fight such an action all the way to the House of Lords.

* EEC Commission decision IV/29595, 17/12/79.
† EEC Commission decision 23/12/77, OJ 1978 L46, p 33.
‡ European Court, Cases 32 and 36-82/78, Judgement 12/7/79.
§ BGH, Case AZR 21/78, Judgement 23/10/79.
¶ James P. Cunningham, The Competition Law of the EEC, p 62.
|| Bellamy and Child, Common Market Law of Competition, pp 96/97 and 744.

THE MARKETING SCENE

BY MICHAEL THOMPSON-NOEL

ADVERTISING: AGENCY PROFITS AND MARGINS

High-wire act could lead to spate of mergers

ONCE AGAIN, Saatchi & Saatchi—advertising agents for a clutch of top clients from BL and Cadbury-Schweppes to Procter & Gamble and United Biscuits, to say nothing of Mrs Thatcher and the Tories—has produced the goods, turning in rosy-looking profits on a turnover that has topped £100m.

Yet many of its rivals are having to run furiously just to stand still.

Despite a relatively good year for advertising, many UK agencies—particularly those caught in the no-man's land between the big established agencies at the top and the aggressive newcomers thrusting from below—are finding the going hard. As a result, there could be a fresh bout of mergers in the New Year.

Average net pre-tax profits of member agencies of the Institute of Practitioners in Advertising represented a scant 2 per cent of billings last year, which means that many are walking a tightrope.

Costs are fixed, and generally high — particularly salaries — while there is growing pressure from clients on the fee and commission front.

All in all, any agency that is not piling on additional turnover, from existing clients or from new, is finding little room for manoeuvre on margins and profits. The exception that best proves the rule is Saatchi. Last week's figures for the year to September 30 1981 showed Saatchi's pre-tax profits to be 20.6 per cent higher, at £3.62m, on turnover that was 20.5 per cent up, at £102m. Earnings per share rose by 28 per cent. Cash and short-term deposits reached £9.5m. And the group has unutilised bank facilities of £2.5m.

Saatchi says that new business gains have put it in a strong position at the start of its new financial year, and that new assignments currently coming on stream include Typhoo Tea, P & G's Pampers and Ariel Automatic, KP Foods (United Biscuits), The Mail on Sunday (Associated Newspapers), Cunard, the International Gold Corporation, and so on.

Group strength should also be enhanced by earnings of the Dorland and Crawford agencies, bought by Saatchi earlier this year.

Yet even Saatchi admitted this week that there was little more that agencies could do to further their war on costs, short of laying off staff, and said that the "honest answer" as to why it had been able to record an 11th consecutive year of profits growth was that turnover was continuing to rise at a faster rate than costs.

Saatchi is also very good at budgeting. Pay increases at Saatchi's are related to forecast billings growth. In 1980-81, it got its forecast right to within 0.3 per cent.

David Wheeler, director of the IPA, says that the more an agency offers by way of client service, the more difficult it becomes to attack its major area of cost—its payroll.

Total payroll costs of the UK's Top 20 agencies rose from 47.9 per cent of income in 1978 to 50.6 per cent last year. At the same time, there has been a fall, to 14,700, in numbers employed in IPA shops.

For agencies billing more than £20m, rent and rates accounted for 9.8 per cent of their 1980 income, and travel and entertainment for 5.8 per cent.

At J. Walter Thompson, managing director Michael Cooper-Evans says that margins have improved this year, thanks to an increase in turnover and rigorous cost control. Billings at JWT/London are 15 per cent higher, at around £96m, while billings in Manchester are 22 per cent ahead.

Ogilvy & Mather says it has made the same sort of profit as last year on billings that have risen from £61m to £71m (it has added on 15 new clients), while the McCann Group, despite some very painful account losses, including Tesco, says that profits will be adequate and that salaries will represent a smaller proportion of expenses than for the last two years.

(McCann is budgeting for a 1982 rates demand from the borough of Camden of £700,000, against the £503,000 it paid in rates last year).

At Boase Massimi Pollitt, chairman Martin Boase says profits are likely to be around £600,000 on group billing of £39m. He says the advertising scene at present is "extraordinarily frantic," with much elbowing and shoving.

At Colman and Partners, which bills £13.5m, managing director Paul Forster says the agency has kept a tight grip on numbers and that profits will be well above budget.

And at Grandfield Rork Collins, the fastest-growing of the newer agencies, where group billing, including grossed-up PR and other fees, is virtually £30m, chairman Nigel Grandfield says his pre-tax profits target is 4 per cent of billings.

He says the great advantage of "starting with a blank sheet of paper is that you can reinvest your earnings in top people without having to remit money to off-shore parent agencies run by grey Americans who should have retired years ago."

For a great many agencies, however, the ride is proving bumpy. At the publicly quoted Geers Gross, first-half taxable profits fell marginally, to £342,615, despite a brisk rise in turnover—it blamed the resignation of its Cadbury-Schweppes business and the delay in waiting for new projects to come on stream.

And at Harrison Cowley, which is also publicly quoted, group pre-tax profit in the half-year to June 30 1981 was £270,000, a fall of £343,000. Chairman David Harrison blamed the fall on a cut-back in promotional spending by many industrial clients, and on the loss of the group's biggest single account, Renault.

Whatever the outlook for advertising expenditure next year — the forecasts are very bullish — it seems likely that a great many agencies will find themselves braving the high wire for many moons to come.

Left to right: the brothers Saatchi, Maurice and Charles; Bob Gross, of Geers Gross; Nigel Grandfield, chairman of Grandfield Rork Collins, and Michael Cooper-Evans, managing director of J. Walter Thompson/London.

ITV: the money rolls in

VIGOROUS SUPPORT for UK television advertising this year has been revealed yet again, this time in the level of ITV's net revenue for November. At £71.88m, it was 35.8 per cent up on November last year.

ITV's net revenue shows a gain of 18.4 per cent for the year to November 1981. Given the boost to airtime demand in the first quarter last year, caused by carry-over revenue from the strike the previous autumn, the underlying rise is even greater.

The November gain follows an increase of 26.2 per cent in October (to £53.1m), and of 35.9 per cent in September (to £52.42m).

The 1981 net total is certain to top £600m.

The UK Advertising Association has already forecast a return to real growth in total UK advertising expenditure next year.

The AA is forecasting a 1[illegible] per cent increase in 1982 and one of 15 per cent in 1983.

Individual agencies are even more bullish.

Foote Cone and Belding estimates that gross ITV revenue next year, including Channel Four, will rise to between £804m and £8[illegible]m—an estimated gain of between 16 and 19 per cent.

This is not far short of Young & Rubicam's preliminary estimate of a 1982 gross ITV total of £828m.

"The Advertising Association, as we have come to expect, are considerably more pessimistic in their expectations," says FCB.

It says that Press expenditure "is likely to continue to increase at approximately the same rate as general inflation, even though rate cards will reflect significantly higher costs as a result of the increased price of newsprint."

Towards the end of next year, it says, Press revenues should "move substantially ahead of inflation," though the success or otherwise of Channel Four, it says, could substantially alter the prediction.

The agency casts a critical eye on Fleet Street's bingo war, saying it doubts whether the extra copies sold represent any real value to advertisers.

STRATEGIC MARKETING

Citibank's eight golden rules

A GLIMPSE of how Citibank, the Citicorp subsidiary, plans its marketing was provided recently by Thomas Weaver, Citicorp vice-president for marketing, who said that Citibank's prime objective was to operate profitably in all segments of its market.

Citicorp says it is the world's biggest commercial banking concern, with total assets in excess of $115bn.

Interviewed in the Marketing Letter, published monthly in New York, Mr Weaver offered eight guiding principles that could be applied, he said, beyond, as well as within, the banking sector, and by companies of any size:

First, appealing to as many market segments as possible may demand a change of image. Citibank was formerly called National City Bank, which conveyed an old-fashioned image. For all-round appeal, the name was changed.

Second, he says, to achieve the largest possible sales, and fastest growth, the consumer market is best: "If your product or service is designed for the industrial market, you may want to look for ways to adapt it for consumers. If you already sell to consumers, look for ways to increase your share."

In the past six years, he says, changes in policies and procedures, as well as automation, had brought radical expansion and improvement of Citibank's consumer services, which had also been made more profitable.

Third, seek new ways to broaden your range of consumer products and services.

For example: Citibank took immediate steps to pay interest on specified checking accounts as soon as a new law was passed permitting it; installed 'travel centres' in several key New York branches which provide all the services of a travel agency; enlarged its international credit card service by purchasing the Carte Blanche concern (it was already a franchisee for the Visa and Master Charge cards); and franchised H&R Block, the U.S. income tax form preparation service, to help customers at Citibank branches fill out their tax forms.

Fourth, adapt your products or services, and vary your tactics, to conform to needs of consumers in different geographic areas.

In New York, Citibank segments its marketing down to the neighbourhood level. Branch managers are encouraged to take part in community concerns, as well as develop marketing efforts tailored to neighbourhood needs.

The branch near the UN headquarters, for example, provides special services for the UN diplomatic community. The bank's staff speaks French, Spanish and German.

Fifth, if your strategy focuses on consumer markets only, consider adapting your product or service to the industrial sector. In New York, Citibank's 24-hour automatic banking centres are designed mainly for individual depositors, but are also marketed to small business owners like restaurateurs and cab drivers.

Sixth, find new ways to reach more business segments with new industrial products or services, or new applications of existing lines. A wide range of financial information services developed for Citibank's internal use are now sold to other banks, and to financial institutions and government agencies.

Seventh, design industrial products and services for specific economic and geographic segments, even on a neighbourhood - by - neighbourhood basis.

Eighth, press for co-operative arrangements with other organisations within your own industry. They can be highly profitable. Citibank acts as New York correspondent for more than 500 banks internationally, a relationship, it says, that generates much profitable activity.

Gillette's move to Saatchi

GILLETTE UK has appointed Saatchi and Saatchi to handle its Contour and GII brands—yet another blow to McCann-Erickson, which has handled the account since 1979. McCann continues to handle Gillette throughout Europe.

Gillette claims it now holds slightly over 50 per cent of the £45m UK wet-shaving market in terms of sales-by-value.

Gillette's total UK promotional spend next year could reach £3m.

McCann chairman Jerry Shively claimed yesterday that the agency's run of losses, of which the most damaging was Tesco, had levelled off.

THE ARTS

Record Review

Recent Maxwell Davies

by PAUL DRIVER

Ave Maris Stella and Tenebrae super Gesualdo; Fires of London: Unicorn KP 8002
Renaissance and Baroque Realisations; Fires of London: Unicorn KP 8005
Eight Songs for a Mad King; Fires of London; Julius Eastman: Unicorn UNS 261

The Unicorn Label has recently released two discs of mostly Orcadian, 1970s compositions by Peter Maxwell Davies to complement the two 1960s expressionist works—*Eight Songs for a Mad King* and *Vesalii Icones*—it has already to its credit. *Eight Songs* has been simultaneously re-issued, in a more sober dress than that of the double-album format used by the original producer, Ken Russell. The two new releases are both sophisticated "Ambisonic" recordings.

They are a delight. The Fires of London at their best strength, with prominent assistance from guitarist Timothy Walker, are conducted by the composer when they are conducted at all (not in the J. S. Bach realisations, *Kinloch his Fantassie* and, of course, *Ave Maris Stella*), and play with consistent fervour and finesse, always alive to the extraordinary subtleties and freedoms — the "background" language—as well as the outrageousness and fun of Davies's instrumental writing. *Ave Maris Stella* (1975) gives them their most prodigious showpiece, designed as a piece of intense, intimate chamber music which absolutely could *not* be conducted.

The Fires have done the work many times in concerts, invariably with profound shocking effect; it is gratifying that their recorded account is as searing and accurate as any live performance could expect to be. The interpretation is devastatingly secure: the music runs continuously (apart from the tiniest of pauses between some of the movements, which make perfect sense), the shapes of the nine individual movements and of the continuous sonata-like whole are clearly delineated, the atomised "development" movement races with excitement and the concluding Lentissimo achieves a truly incandescent terror.

The players' virtuosity never ceases to amaze. Probably this is not the most purely difficult music Davies has written for the Fires: that honour is due to the masterly *Hymn to St Magnus* (1972 — already recorded). It *is*, however, the most demanding, intimate and exposed. Its piano part—a concertante role like the marimba's—is particularly strenuous and finnicky: somehow Stephen Pruslin finds the fingers for it. Crisp clarity in all the parts is typical of the recording. And if the viola pizzicati beginning at the 12th bar of movement 8 cannot quite be picked out, the buried plainsong on alto flute half-way through the last movement delectably can.

Tenebrae super Gesualdo is satisfyingly coupled with *Ave Maris*. In date (1972) and precise stylistic inflections it is closer to *Hymn St Magnus* (as are most of the realisations on the other disc). But its last bars of loudening marimba throbs, surprising and disturbing in context, offer an exact parallel. The work is a four-part brooding, *sotto voce* instrumental commentary on a darkly plangent original that is partially reinstated as interludes for mezzo-soprano and guitar (Mary Thomas and Timothy Walker) between the movements. At 20 minutes' duration it must count as a serious Davis opus, although the repeated obtrusion of Miss Thomas's "Attendite et videte si est dolor similis sicut dolor meus" ("Can there be misery loftier than mine?") starkly diatonic, does pose a slight comic problem.

One could not buy a more succulently enjoyable record than Maxwell Davies's Renaissance and Baroque Realisations. If ever a supposedly difficult and modern composer gave pleasure without bad faith it is Davies here. The sequence of arrangements and transformations of Bach, Purcell, Dunstable and others contains choice fruits—some would say the candied fruits, and they would mean wrong—of a searching, life-long re-creative involvement with the past. And it is a telling sequence.

The first side begins with analytical, "X-raying" instrumentations of the preludes and and fuges in C sharp minor and major from Book 1 of *The "48"* (C sharp is also the key of *Ave Maris Stella)*. Next comes Purcell's *Fantasia on One Note* and the note is C sharp. That leads into the more familiar Purcell realisation, *Fantasia and 2 Pavans*. The other side comprises the half arranged/independent Dunstable treatment, *Veni Sancte-Veni Creator Spiritus*, three allied but contrasting early Scottish motets and a brilliant, entirely contrasting finale in *Kinloch his Fantasie*. If supplemented by previous L'Oiseau Lyre recordings of *Antechrist* (DSLO 2), *Psalm 124* (a fourth early Scottish motet) and the Renaissance Scottish Dances (DSLO 12), the disc affords a virtually complete collection of Fires of London "curtain-raisers."

The *Fantasia on One Note* is the most artistically interesting item on the disc. An enormous wealth of instrumental inventiveness is compressed into its tiny (3' 563) length, and its self-imposed limitations—the single note cantus firmus is sounded in every bar — are transcended with an equivalent diversity of style and mood: the delicate intensity of the start rapidly climaxes in—of all things—hill-billy style, and the close furnishes a drily humorous gesture like that at the end of Ligeti's Wind Quintet. (In the recording the cantus's passage through rubbed brandy-glass and roto-toms is only barely audible). The least successful item is the Dunstable treatment, whose separation of straight transcription and ironic (though sympathetic) commentary is too rigid. The three motets (especially *Our Father Whiche in Heaven Art)* are exquisite: a magical tissue of celeste and glockenspiel sounds, once heard forever beguiling. The simulated winding-down and up of a 78 record player in the second of the two Purcell *Pavans* gains special point now that it is itself on a record.

The realisations give proof, if it were needed, that whatever controversy may surround Maxwell Davies's orchestral technique, he is a faultless master of instrumentation. They do not ultimately have the suggestiveness and depth of kindred, wholly original essays like the *Shakespeare Music* (1964) and the *Points and Dances from "Taverner"* (1970), but they (no less than *Ave Maris Stella*) are impressive testimony to what can be achieved between a composer and his loyal performinf group. Both new records are beautifully produced: *Ave Maris* is worth buying for its cover design and Orkney photograph alone.

Spink

William Havell

by BRIONY LLEWELLYN

Many British artists whose heyday was the early decades of the 19th century are in the process of being rescued from oblivion. The scope and magnitude of the great J. M. W. Turner's genius has been fully appreciated only since World War II. Now there is a revival of interest in artists whose style was particularly affected by Turner.

William Havell, today almost forgotten, is one of these. Yet for about a decade (1804-15) his star was in the ascendant and he was well known to the leading artists and critics of his day. Thomas Lawrence, future President of the Royal Academy, is said to have valued his early landscapes more highly than A. W. Callcott's (another artist who commanded tremendous respect in his own time and who has been the subject of a recent exhibition at the Tate Gallery).

This bicentenary exhibition, the result of several years' research by Felicity Owen, organised by the Museum and Art Gallery in Reading (the town of Havell's birth in 1782) in collaboration with the Abbot Hall Art Gallery, Kendal and Spink and Son, now affords an opportunity to assess Havell's contribution to British art. At first glance this is not easy for the variety of styles represented obscures a clear evaluation of his artistic character. Alongside oils and watercolours recalling the early work of Turner are others which are little different from any other conventional early Victorian landscape; the muted greys, greens and browns of his early work jostle uncomfortably with the highly coloured and elaborate paint surfaces of later.

Ambitious, adventurous and restless, Havell was willing to try his hand at most of the innovations of style and technique he encountered.

But staying power was not his strong point and, at the very moment when he seemed to have found his own stylistic niche, he took himself off into voluntary exile from the centre of artistic activity seeking new horizons in the East. Had he persevered in his rivalry with Turner, the catalogue introduction argues, his achievements might well have been consolidated.

As it was, his career and personal fortunes suffered a series of ups and downs, exacerbated by his impetuous, cocksure temperament. Artistically precocious, he quickly caught on to the new ideas being advanced by his slightly older contemporaries: the stylistic and technical innovations made in watercolour by Turner and Girtin are seen in Havell's early Welsh views (*Valley of Nant Francon* was exhibited at the Royal Academy in 1804); and the unconventional subject matter of an industrial landscape is used in *Parys Copper Mine*, 1802-03. A few years later, circa 1807, he was painting naturalistic landscapes of the unpretentious Thames scenery, and, probably, like Turner and several others, sketching in oils in the open air. At the same time he, like Cotman, could respond to the broad structure and tonal values of nature (seen best in the *Skelwith Force* oil sketch, 1807). This was carried through in his more finished watercolours, *Walnut Gathering near Marlow*, 1807 and *Banks of Keswick Lake*, 1808, for example, in which his clarity of vision and control of his medium lends grandeur to the peaceful rural scenes.

Banks of Keswick Lake: William Havell

Moving on once more, his prime concern a few years later became the rendering of light on canvas: he brightened his palette and varied his brushstrokes, breaking up the paint surface in an attempt to capture the sparkle of sunlight. In this he succeeded, and his *piece de resistance*, *Walnut gathering at Petersham* (unfortunately now lost) caused a considerable stir. Acclaimed for its brilliance and sunshine, it was rejected for exhibition by the British Institution as an experiment in "nothing but light."

His pride dented, Havell stepped out of the line of fire by joining an embassy to China as its official artist, and later settled in India, making his living from portraiture. After 10 years he returned to London to find that tastes had changed and his art was no longer regarded. Despite a chameleon-like changing of styles to suit the market, success eluded him. On his trip abroad, aided by the climate, he had developed his skill in rendering colour and sunlight.

This is evident in *Garden Scene on the Braganza Shore, Rio de Janeiro*, 1827, in the English scenes painted soon after his return, such as *View on the Thames from Park Place, Henley*, 1827, and in the oils resulting from his visit to Italy in 1828-29 (*Plains of Sorrento*). He continued to paint sunny, rural scenes but all too often they are predictable and sentimental, with little of the precise observation of his earlier work. His finances, too, suffered a blow when the Indian bank in which his savings were invested went bust, and, after several years of hack work and poor health, he died in poverty and neglect.

Early success had swelled his natural egoism and prompted him to tackle more than he could manage. Had he spread his talent less thinly and shown more discretion his reputation might have been greater, but he would not have been the enterprising and lively personality he undoubtedly was: it is for his aspirations as much as for his achievements that he deserves to be remembered.

The exhibition is at Spink and Son until tomorrow: it travels to the Museum and Art Gallery (Reading January 9-February 20 1982) and to the Abbot Hall Art Gallery, Kendal (March 6-April 10 1982).

Lyttelton

The Second Mrs Tanqueray

by MICHAEL COVENEY

It was the National Theatre revival of *Trelawny of the Wells* in 1965 that triggered a new interest in Pinero. Mercifully, this interest was confined to the Court farces. I suppose it was only a matter of time before someone on the South Bank thought of chancing his arm with the play that made Mrs Patrick Campbell an overnight star in 1893 and is the most famous dramatic sketch we have of a Victorian lady closing the cupboard door on a few sexual skeletons.

Paula Tanqueray is a *demimondaine* who makes the terrible mistake of turning respectable. Her story, of course, makes for the most respectable evening of theatre imaginable. It opens with three fellows, including Aubrey Tanqueray (Leigh Lawson), smirking through the post-prandial smoke of chambers in Albany, progresses (if that is the word) to investigate two parallel cases of suicide by marriage—one comic and one tragic—and ends up with some preposterous tosh about the step-daughter falling in love with a chap lately in India but distantly attached to Paula. Paula and the girl (who has, incidentally, renounced the monastic life for the real world) become rivals, having edged tentatively towards a condition of mutual trust. The curtain falls on some predictably melodramatic news.

"Ardale and I once kept house together," declares Paula to her husband. Hit me, hurt me, if you dare. It is a tribute of sorts to Michael Rudman's cool and placid direction, and to Felicity Kendal's intelligent playing, that the scene does not sound half as ridiculous as it sounds. Such moments are insured against loss by a heavy investment in truthful emotional playing. In Act 2, after the daughter Ellean has been claimed from the boredom of Surrey by the bitchy neighbour, Mrs Cortelyon, Felicity Kendal stabs both the silence and her hat with a large pin before launching into a tremendous row with Aubrey over an invitation to the other doomed married couple (they are doomed because Mrs Orreyed was an actress). At the end, *Miss Kendal is superb* with her prediction of slipping into a marriage of physical revulsion, her face invaded by the hollows and shadows of the speech before collapsing in an unstated welter of sighs.

Felicity Kendal

The playing of Paula is, in fact, quick and volubly inventive throughout. Nothing too pronounced, mind you. This, after all, is a very respectable evening, as indicated by Carl Toms's triangular arrangement of pilasters and modern antique furniture. This design will no doubt please at least one critic who looks forward to the modern theatre resembling an art gallery. Aubrey's morning room pleases further by providing a huge misty landscape of horses grazing in a valley. Very artistic.

The play going on within all this is tedious in the extreme, although, to be as fair as I am prepared to be, there is a residual interest in the emotional thriller content. Heavy hints are dropped in the early scenes about "some trouble" and "wonderful times" on a yacht anchored off Marseilles. The world into which Ellean is *thrust is somehow embodied in* Paula's mysterious past, which turns out not to be all that mysterious at all. She slept with a few fellows. I cannot believe that even in the 1890s this sort of revelation brought people out in goose pimples.

The language of embarrassment in the play is feeble, too. "I can feel my nails growing longer with every word she speaks," mumbles the ex-actress in the domestic void of three weeks' silence between the Tanquerays; Paula, suppressing a letter, declares that it scorches her like a mustard plaster. Ardale is a man who has faced death on behalf of his country: yet he is still capable of behaving like a stage-bound ninny as he tosses a rose through a french window.

The world of secret communications, gossip, fat righteousness and sub-Wildean aphorism is represented in the character of Cayley Drummle, a bachelor friend of Aubrey's played to the required pitch of clipped self-satisfaction by Harold Innocent. Outside of Mr Innocent and Miss Kendal, the company strikes me as peculiarly ad hoc: one of the pleasures of seeing Maugham or Pinero in the Old Vic NT era was that of familiar leading actors jumping through difficult or unfamiliar hoops. Nothing of that excitement here, and the casting of the Orreyeds and Ardale seems to me scandalously inadequate.

Elizabeth Hall

Janis Vakarelis

by RICHARD JOSEPH

Though Mr Vakarelis has played piano concertos on the South Bank before, Tuesday's concert appeared to be his first solo recital here. An adventurously chosen programme—Prokofiev, Xenakis, Brahms's *Paganini Variations*—demanded not just virtuosity of a high order but musical perception and a lot of stamina.

In the main, it got it. Mr Vakarelis is a fine musician with a keyboard manner that is authoritative and confident. He dispatched Prokofiev's Seventh Sonata with something approaching ease, italicizing textures and shaping phrases purposefully. A good deal of sustaining pedal was used, not always to the benefit of the *Andante* caloroso, but it enabled the pianist to fill an almost empty Elizabeth Hall with waves of clangorous sound for the finale.

enabledpm/

Xenakis' *Mists* is an altogether tougher proposition, with split-second shifts of register, technical format and dynamic. Some of the dense polyphonic passages at the opening lacked any sense of direction at all, but once Mr Vakarelis settled into the music he revealed a wide range of colour and an emotional concentration rare in performances of complex modern works. He was able, both in *Mists* and the Prokofiev Sonata, to compel our attention rather than invite it; a rare ability in this age of polite players.

The clear contours and italicised lines that emerged in the first half of the concert did not serve Brahms three Intermezzi, op. 117 anything like as well. Intentions were good, but somewhat morbid tempi coupled with a lack of a really discerning balance did not aid these gentle works. This clarity did suit the *Paganini Variations* well, however, showing that the pianist is most at ease in unashamedly extrovert, virtuosic music. But his artistic identity is interestingly individual; we should hear a great deal more of him.

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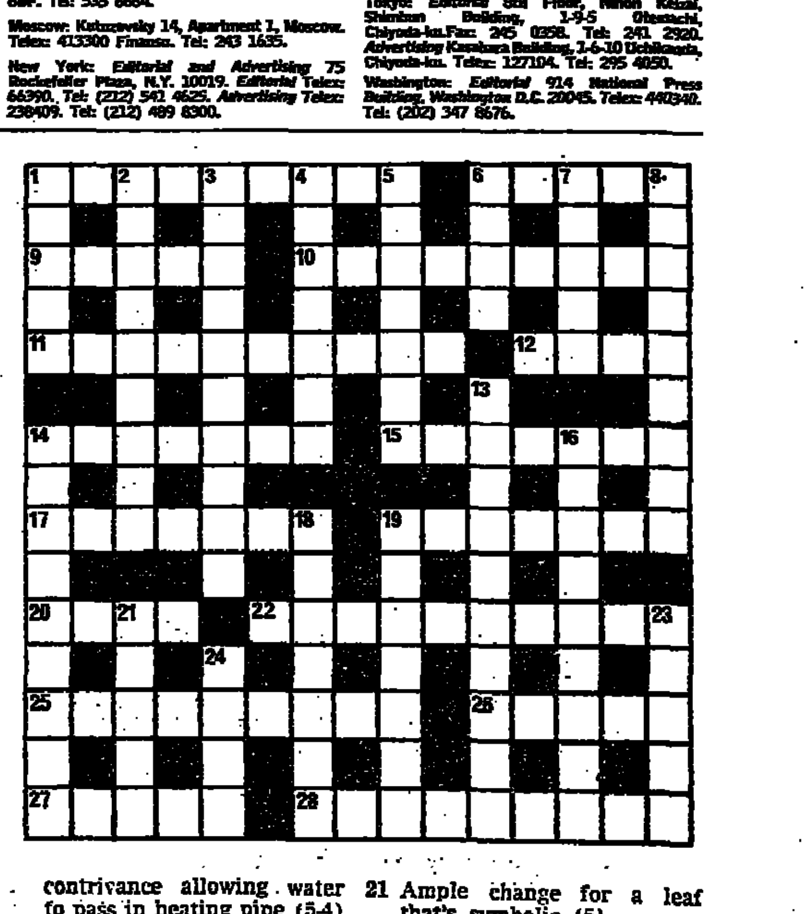
F.T. CROSSWORD PUZZLE No. 4,752



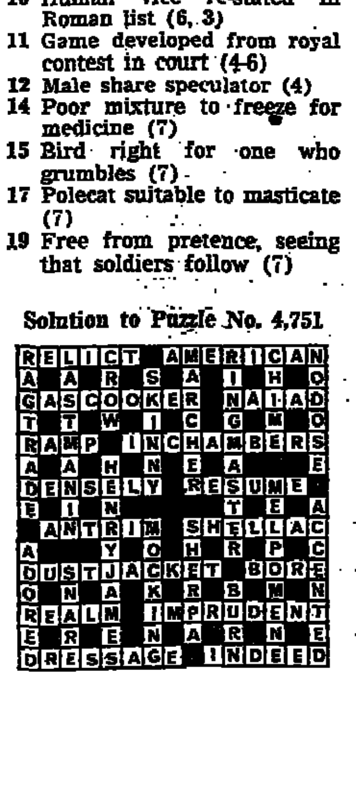
ACROSS

1 Songster to banter in church (9)
6 Allure a flock of goldfinches (5)
9 Be erratic or blunder (5)
10 Human vice re-stated in Roman list (6, 3)
11 Game developed from royal contest in court (4-6)
12 Male share speculator (4)
14 Poor picture to freeze for medicine (7)
15 Bird right for one who grumbles (7)
17 Polecat suitable to masticate (7)
19 Free from pretence, seeing that soldiers follow (7)
20 Spurt in a light shoe (4)
22 Star no more becoming a stargazer (10)
25 Mischievous child is to ramble around and perform without preparation (9)
26 Botanical sheath from two creatures (5)
27 Gather information that could be corny? (5)
28 Became ruined—as snooker players may have done (4, 2, 3)

DOWN

1 Credit on fish in a basket for it (5)
2 Believed to be an antidote for poison found in missile base (5-4)
3 The initial clue—could it dawn on you? (5, 5)
4 Candidate with French name in note repeated (7)
5 Throwing a game (7)
6 The cheek of a fellow! (4)
7 Something worth having when planted (5)
8 Anger turning up in household or animal enclosure (9)
13 Destitute, like a poor boxer (4-3-3)
14 Children tainted source of water (9)
16 Cook part upside-down in contrivance allowing water to pass in heating pipe (5-4)
18 Fly going around tree and cleansing (7)
19 Operator, well up in progress (7)
21 Ample change for a leaf that's symbolic (5)
23 Perform again and respond to stimulus (5)
24 Stupid person making an expression of disbelief (4)

Solution to Puzzle No. 4,751



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Thursday December 17 1981

U.S. banks in a new world

MIXED feelings of relief, excitement and concern are aroused by the movement towards deregulation of the banking business which is now proceeding by fits and starts in the U.S.

There is relief because the existing controls are so outmoded that they are becoming *an actual danger to those*, chiefly the commercial banks and thrift institutions, which are still hobbled by them.

The excitement derives from the technical revolution now shaking up the whole sphere of savings, loans and payments. The growth and development of this key part of the U.S. service sector should not be stunted or warped by restraints designed before today's possibilities could be even dreamed about.

Concern

The concern arises because the banking sector is the jugular vein of any modern economy and cannot be deregulated in the absolute sense of the word. Whatever final form the industry takes, its potential to create money stock must remain under effective control, and the dangers and conflicts of *interest which lay behind the* outdated laws must be acknowledged and taken care of under the new regime.

The erosion of the existing laws in the U.S. does not derive from the free market principles of the Reagan Administration but from the fact that the U.S. financial services business has long since spilled out over the *constraints those laws imposed.* While the McFadden Act still restricts banks to individual states, the new money market funds can accept deposits across the nation and are not constrained by state rules on the interest they pay. This has reduced the flow of funds to banks and is causing severe problems for thrift institutions, which have in the past extended mortgages at fixed, low rates of interest, and for the construction industry.

Meanwhile, the money market funds have also breached the wall erected by the Glass-Steagall Act between the investment banking and commercial banking businesses. They have allowed investment banks, which traditionally specialise in the issuing and trading of securities, to offer their customers the ability to deposit cash, write cheques and arrange loans—traditionally restricted to commercial banks.

With the horses thus gone, there is clearly little point today in re-inforcing the old stable doors. But in the intense debate now raging about the parts of the old laws which should be dismantled, there is a danger that battles between entrenched interests will dominate the discussion, rather than hard and clear thinking about the basic requirements of the system which should emerge.

It is, for example, the *defensive passions of the small* banks, which do not want nationwide banking, and of the investment banks, which do not *want to see Glass-Steagall* eroded, which have forced the Senate Banking Committee to postpone its drafting of new laws until next year. The regional banks have always argued strongly that they foster commerce in their own states.

It is vital that the Federal Reserve should have influence over the liquidity creating powers of *money market funds* on which cheques can be written. At the moment it can impose reserve requirements only in banks which choose to be members of the Fed system.

Inspecting

Will the system be safe for depositors and free from the potential for fraud? While banks are inspected by both the Fed and the Comptroller of the Currency, no one appears to be charged with the task of inspecting the books of the money market funds, nor does Federal Deposit Insurance apply to *these new vehicles for savings.* Whatever replacement for Glass-Steagall emerges, its drafters must not assume that the conflict of interest between lending to a corporation and issuing its securities has faded away.

Finally, will adequate competition in the financial service sector be preserved? The McFadden Act restrained the size of the big money-centre banks. If it is removed it is very important that anti-trust rules are applied which will limit the market share of any one financial conglomerate in any area of the U.S.

Such questions do not appear to be getting adequate attention in the U.S. Such is America's economic and monetary influence that every other country has an interest not only in the *new financial* phenomenon emerging there, but also in the controls being devised to rein it in.

Rates and politics

DOMESTIC RATES are a sensitive political issue, especially in the Conservative Party. Most people think that they are unfair, too high and continually going up. In 1974 the Tories promised in their election manifesto that rates *would be* abolished and replaced by a system of taxes "more broadly based and related to people's ability to pay." By 1979—the year of the last general election—there had been a change, though apparently one not much noticed by the bulk of Tory activists. "Cutting income tax," the manifesto *then said*, "*must take priority* for the time being over the abolition of the domestic rating system."

Layfield report

In the meantime, there had been an important development. The Labour Government set up the Layfield Committee on local government finance, which duly reported in 1976. The Layfield Report says all that needs to be said on the subject, and notes that the problems which the inquiry had uncovered were not new. Many of them had been recognised at the turn of the century and had been just as comprehensively discussed by the Kempe Committee in 1911-14.

Layfield concluded, briefly, that the domestic rating system could be improved, but should not be abolished. It added that it could be supplemented by a local income tax, though inevitably that would be a political rather than a fiscal decision.

Since then nothing fundamental has changed. The political aggro about rates continues, again especially among Conservative supporters. But no-one has come up with any better ideas for reform, including the authors of yesterday's green paper "Alternatives to domestic rates" who, one must suppose, have been through the whole subject backwards several times over.

There is also one more or less constant factor which is frequently overlooked in the popular debate. Contrary to the general impression, domestic rates do not go on steadily rising as a proportion of personal disposable income. In 1936-39 they accounted for 2.71 per cent. In 1960-61 the percentage was 2.01 and in 1970-71 2.41. Last year it was about 2.2. Of course, those are average figures and there are variations from area to area, *but that is a separate question* from the one of any better system can be found of raising local revenue.

The alternatives—or additions—to rates remain, as has long been suggested, a local sales tax, a poll tax or a local income tax. The trouble with a local sales tax is that the country is geographically so small that people could easily hop across a boundary to pay a lower rate. The poll tax is what its name says it is: a tax for being on the *electoral register. It is difficult* to see how it could be in any way progressive without changing the nature of our democratic system and some people might prefer to give up the vote rather than pay.

The idea of a local income tax has considerable attractions, but should not be confused with the debate about domestic rates. The fact is that it would only be constructive if it were introduced as part of a much wider reform of local government and regional authorities. It also raises the fundamental question of how far central Government would allow regional or *local bodies to set their own* level of taxation on top of what is paid in national taxes. It implies a quite different *constitutional system from what we* have at present. That is not itself a condemnation, but it is a warning of the perils of *piecemeal change.*

Party pressure

Over the next few months Mr Heseltine, the Environment Secretary, and Mrs Thatcher, the Prime Minister, will come under strong Party pressure to be seen to be doing something. They should resist it. The case for rates is that no-one has yet thought of anything better: they have a kind of rough equity, are easy to collect, hard to avoid and are not really going up. In the longer term, there might be a case for a redistribution of powers between central and local authorities. But it will *need to be rather better thought* out than the experiments of recent years.

ECONOMIC VIEWPOINT

The crisis behind the figures

By Anthony Harris

IF YOU didn't laugh, you'd cry. The purpose of this article is deadly serious—to expose *some of the nasty* realities which underlie the more or less orderly figures which purport to measure the money supply, and which could lead to a deadly serious banking crisis. The conclusion is not hopeless: something could well be done to arrest the slide.

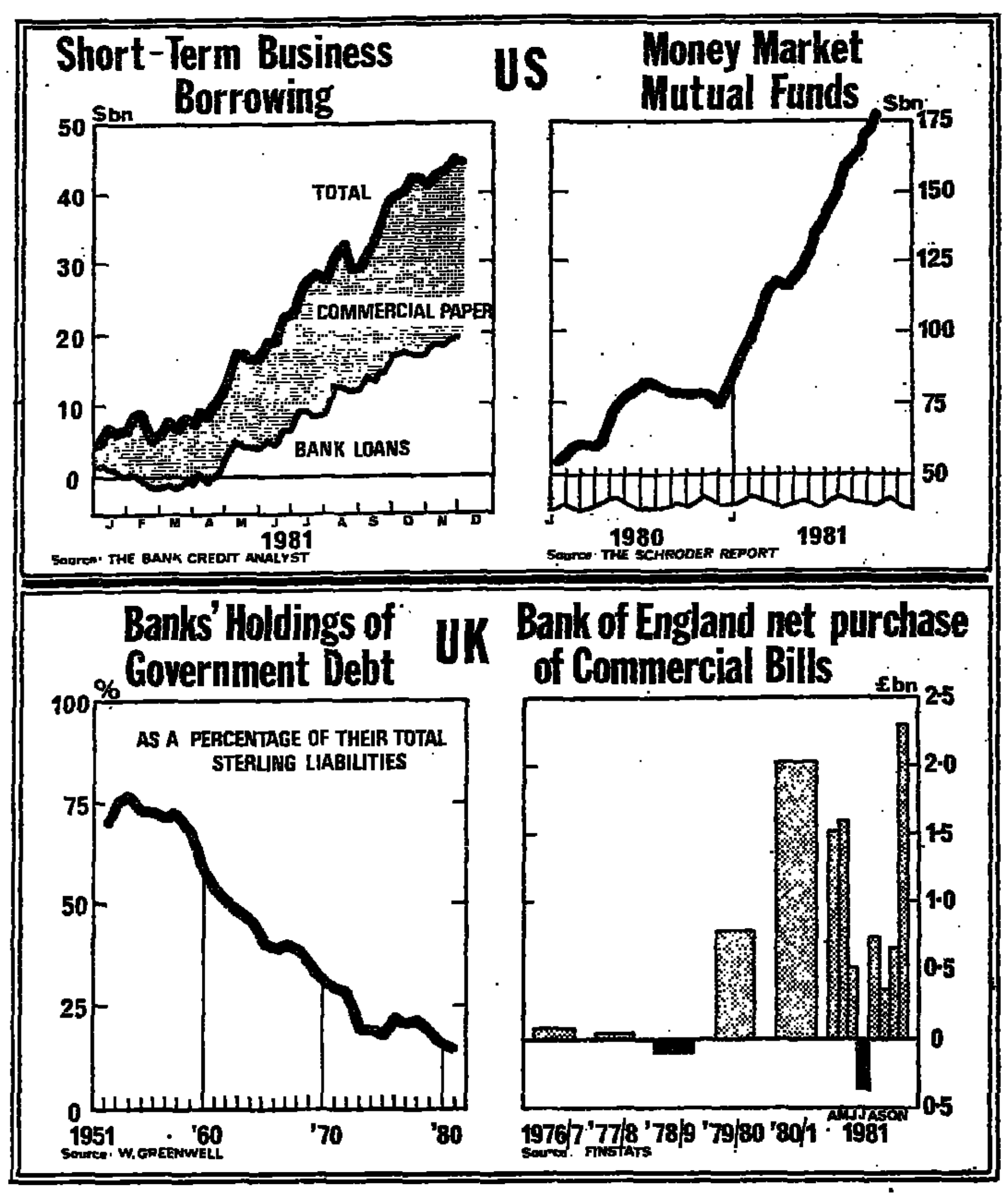
It will not, however, be achieved by the techniques which now masquerade in the English-speaking world as "monetary control," a statistical cloud-cuckoo land which is no substitute at all for proper banking discipline: and that is where the jokes come in, if you have that sort of sense of *humour.* On, then, with the motley.

First, a little history. Monetary policy is concerned with controlling the growth of certain kinds of deposit-taking institutions, because they have the unique ability to let you have your cake and eat it—to lend your money, and yet let you spend it, too. An IOU from Bloggs and Co., or from your neighbour John Smith, may be reliable, but it is not money. A bank deposit is.

For some time after monetary targetry became fashionable, this posed no real problems. Banks lent some of their deposits to private borrowers, but characteristically lent nearly half to their own government, in the form of holdings of short- and long-term Government paper.

Government spending financed in this way circulates new money and creates matching bank holdings or reserve-quality assets—"printing money." Higher taxation, or the sale of Government securities outside the banking system, reduces deposits and bank holdings of Government debt, and so reverses the process.

This process achieved orderly statistics, more or less, for as long as the banks held more Government securities than they *strictly needed for prudential* purposes; but both in Britain and the U.S. monetary restraint through open-market operations has driven these holdings down to about a tenth of the total book, which appears to be the operational minimum. (The



Martyn Barnes

Monetary controls no substitute for banking discipline

U.S. chart looks very like the British, but it happened rather *earlier.*)

What do you do next? Here there seems to be a profound division of views. It might seem logical to squeeze credit business out of the banking system into other channels, so that lenders would hold IOUs rather than deposits.

This is broadly the American approach. It is largely an accident, resulting from the fact that U.S. banking rules make the cost of bank intermediation — the gap between deposit and lending rates — *rather high. This means that* direct lending to companies can be arranged at terms which give advantages to both sides.

Unfortunately what is in effect a tax on banking has two results which undermine any disciplinary effect. First, a vast offshore banking business, the Eurodollar market, has grown up out of the reach *of Federal regulations, and the* costs they impose. More recently, new intermediaries have grown up to open the commercial paper market to small depositors—the money market mutual funds. These are *behaving more and more like* banks. The Fed may be able to achieve orderly figures for bank "money" but has to confess that it has less and less confidence in what they mean.

The Bank of England has always distrusted non-bank credit markets, both because at heart it worries more about credit (spending money which *isn't yours) than about liquidity* (spending money which has been lent on), and because it is protective about the City. Borrowers have had little alternative to borrowing from the banks.

The result, as everyone knows, is that in Britain it is very difficult to achieve monetary targets at all, if the target rate of money growth is *significantly below the rate of* interest on deposits, now that the banks are short of Government paper. If the banks have no assets to sell, how can they reduce their liabilities?

The brutal answer—a credit squeeze fierce enough to cause a large wave of bankruptcies, and so cause bank failures—is hardly appealing. The alternative, *a squeeze on borrowers* fierce enough to force them to sell their own assets and repay loans, but permitting them to survive, has been carried to damaging extremes in the past two years without actually achieving the right money numbers.

Now, however, the authorities have found a new answer: they *are buying the banks' commercial assets.* Bank of England purchases of commercial bills totalled more than £2bn in 1980-81, and though subsequent progress has been interrupted by the civil service strike, the Bank was back in business on a very large scale in November, when it bought £1½bn worth.

Now it happens that this ingenious process, by which the Government checks monetary growth by invading the commercial lending market, has not worked, because of another accident. Encouraged by a flood of liquidity during the Civil Service strike, and faced with a fall in commercial loan demand for the same reason, the banks have mounted their own invasion of the house mortgage *market. It is the building socie*ties, not the banks, which have been squeezed.

Even if it did work, however, would the new technique produce anything more than a statistical illusion? The banks create spending power by maturity transformation—borrowing short and lending long. The Bank of England, investing *the proceeds of gilts sales in* the bill market, behaves as a *kind of inverted bank*, borrowing long to lend short. This controls liquidity in a way, but it does not make commercial banking any sounder. *Statistics and* underlying facts can point in opposite directions.

This, then, is the nub of the matter: and if we look beyond our two countries, and beyond the technical tangles of the last year or two, it is rather a large matter. The spectacle of the Fed permitting the growth of every kind of unregulated money shop in order to produce orderly but meaningless "money" numbers, or of the Bank of England trying to check the growth of commercial banks by competing for their business, may seem comic. The underlying facts are not.

This becomes very clear if you forget the statistics, and reflect what has been happening in the last decade to the *quality* of banking assets. The proportion of commercial risk assets in the total has risen from a conservative 50 per cent or so to the limit of prudence; and now the quality of the commercial assets is itself being diluted. This is bound to be so when business is driven out of the banks into the bond markets or the bill markets, because *only the more* creditworthy borrowers can raise money there. The banks have lost their Government stock, and are now losing their best risks.

The scale is not trivial. In the U.S., the commercial paper market in the last year accounted for well over half of all short term commercial borrowing, and the funds there have been proved fastidious about even some quite famous names.

In the UK the recent picture is distorted, but official purchases of commercial bills in 1980/81 were 53 per cent of bank lending to the same class of borrowers, or more than a third of the total, and by the end of this year the figure may well be higher.

If we look further afield than Britain and the U.S., the picture is more obviously disturbing. It is now becoming obvious that the so-called triumph of recycling was *in fact a major*

Recycling was a major episode of banking folly

episode of banking folly. The banks are not wholly to blame. Governments which decided to meet the oil shock by borrowing to finance consumption rather *than investment set the scene.*

The result is that the banks were cheerfully left to provide "liquid" deposits to finance some very questionable lending, to weak Government rather than to weak companies. This has had two results.

The first, as the Governor of the Bank of England pointed out this week, is that the problems of some of the weakest borrowers could cramp the operation of the whole market in sovereign debt.

The second, less widely discussed but more pervasive, is the perverse and unstable financial climate which affects the developed world.

It is the existence of enormous liquid international balances which has led interest rate effects to overwhelm "real" forces in the currency markets, leading to unstable exchange rates and the frustration of domestic monetary strategies. These instabilities, like the lending risks on the asset side of bank balance sheets, are growing with time.

The underlying trends, then, are thoroughly alarming. In America, this seems to be widely apprehended by the man in the street; books forecasting financial catastrophe are best-sellers.

Here we seem more inclined *to take our tone from the* institutional complacency of the monetary authorities—a real complacency. It is to be

The good news is a solution ought to be possible

hoped, but the usual stiff upper lip. Yet a sense of crisis may be necessary if we are to solve the problem rationally, rather than leave collapse or hyper-inflation to wipe out bad debt.

The good news is that a solution ought to be possible. Past inflation, and interest rates, which have until recently been negative *in real terms*, have seen to that. The debt burden, like our own national debt, is unexpectedly modest in real terms. Like a basically sound company with cash flow problems, we need a financial reconstruction.

This is no place to sketch even the outline of such a solution; but it must include the elements. The first is the consolidation of what are really long-term debts in stable form as long term securities. This has involve painful but bearable burdens on governments including some element of underwriting or direct aid—and a big role for international intermediaries like the IMF. It means especially devising acceptable assets for oil creditors.

For long-term safety, we will also need a new look at monetary management, learning perhaps from highly disciplined systems like the Japanese.

This may involve, as Philip Braverman of the Chase Manhattan argues, credit control, especially a restriction of bank lending to finance asset transactions in property and speculation—otherwise a proper market collapse could do the destructive work of Wall Street in 1929. (Mr Braverman is a guru who deserves a wider reputation.)

It means a stress on quality as well as numbers, and harsh supervisory powers. And it means a sense of crisis. We will *do nothing through complacency.*

Men & Matters

Howe's wait . .

You have to hand it to Sir Geoffrey Howe. After all the stick he has taken, he still comes up smiling. Last week he appeared as a jolly Father Christmas: yesterday, he was singing his own carol to the City.

At the end of the Stock Exchange's lunch for the Chancellor, chairman Nicholas Goodison's *son*, Adam, struck a few chords on his guitar, and Sir Geoffrey launched into a modern version of Good King Wenceslas.

"In your realm of stocks and shares,
Confidence yet aileth," he warbled.
"Too few bulls, too many bears—
Gloom and doom prevaileth:
'*Slump,' you say,* 'will never end.
Thatcher isn't learning,
Poor old Geoffrey's round the bend—
His corner's not for turning'."

A deep breath—and into a confident crescendo:

"But the indicators show,
Policies are working.
Output's up and it's all go,
For all those exporting.
Margaret's target is in sight:
Don't despair or scorn her.
In the tunnel I see light.
We have turned the corner."

And so to the concluding appeal for support:

"Come, my friends, and stand by me:
My words are not hollow.
Though the winter, bitter be,
Gentle Spring will follow."

"*Business is worse than you think—this is last January's sale.*"

. . for Hanson sum

Sir James Hanson meanwhile *is singing the blues in today's* annual report from Hanson Trust—with a hymn of praise to Thatcherism, backed up by a *£40,000 donation to the Con*servative Party after nothing in 1980.

Hanson—a Wilson knight—goes for the "leaner and more competitive" interpretation of how British industry is emerging from the recession. "The worst is over," he says in his chairman's statement, the Government has made "tremendous efforts," and "through it all, the encouragement to free enterprise shines bright and clear."

The amount of money which Hanson has put where its corporate mouth is must be particularly welcome at Conservative Central Office, where company donations registered a 14 per cent drop last year, according to the calculations of the Labour Research Department. Contributions may be picking up a little now, but the party's estimated deficit for the current financial year is unlikely to be much less than the £1m projected by former chairman Lord Thorneycroft in July.

Hanson has let the political donations lapse over the past few years, but it is returning in style. The highest corporate *donation recorded by Labour* Research last year was £50,000 from GEC, and that has not yet been topped in the current year. The second largest donation was from British and Commonwealth Shipping, with £43,525, followed by C. T. Bowring at £36,280.

The *prospect of political* donations was not something which shareholders raised at the last Hanson annual meeting—but director Martin Taylor is confident that its decision will meet with their approval.

Water full

Jolliest Chistmas card of the year so far comes from Perrier. It depicts Santa Clause descending a chimney—with a "h'eau h'eau h'eau."

Joint venture

A very quiet Jonathan "Jake" Morley at yesterday's lengthy meeting for creditors of com*modity brokers M. L. Doxford.* The Doxford directors, he explained, had thought that the company could be saved if its leasehold premises had been sold. The failure to sell had been, he reckoned, because of "bad publicity in the Press." Will the coffee and sugar specialist be going back into business? "I have not decided yet," he says, "first I'm going to get married"—to Davina Sheffield, whose name was for some time linked with that of the Prince of Wales.

Law of the sea

There are just enough days in the week, Malcolm Evans finds, to work as a solicitor in London and a boatbuilder in York—and even take a rest in between.

From Tuesday to Thursday, Evans practises commercial law *at his office near London's* Victoria Station, living in a flat in the same building. But on Thursday night, he packs his *bag, catches a train for the 200*-mile journey home to his family York and another three-day stint in his boatyard.

"I've been building boats all my life as a hobby," says 52-year-old Evans. "Now I'm doing it as a business." He established his Sailway company six months ago at Layerthorpe, next door to the Derwent Valley Railway's headquarters, and can be found there on Friday, Saturday and Monday, currently fashioning the mahogany timbers of a sloop.

Evans, whose wife is senior partner in a York law firm, has been commuting weekly to London first from East Anglia and then from Yorkshire for six years. "But this is a much better way to divide my time," he says. "I am now getting the *best of both worlds, working at* the things I most enjoy doing."

Foreign exchange

A colleague in West Germany reports a sour joke much en*joyed in the Bundesbank*, which reflects that conservative institution's attitude towards the Socialist policies of neighbouring President Mitterrand:—

President Mitterrand had just taken delivery of a new and very powerful computer, programmed with political and financial data, for his private use.

What, he asked it, first of all, would be the French inflation rate in five years' time? The computer buzzed and clicked, and after a few seconds came up with its answer: "Zero." Happy but puzzled, the President asked what the unemployment rate would be in five years' time. The computer thought once more, and replied: "Zero." Cheering as this was, Mitterrand began to fear that the machine might be defective. So he put a simpler third question. What would be the price of a baguette in five years' time? "One rouble, 80 kopeks," came the reply.

Observer

Mary Frings examines the Gulf Co-operative Council's aims

Six states integrate planning for five cor industries

COLLABORATION among the Arab oil-producing states was not something invented by the six-month-old Gulf Co-operation Council (GCC) and predates it by many years. The states have been getting *together* for years at various levels and a number of different groupings, from ministerial and summit councils to the Arab League and the Organisation of Arab Petroleum Exporting Countries (Oapec). They also support joint commercial ventures such as the United Arab Shipping Company (UASC), the Arab Maritime Petroleum Transport Corporation (AMPTC) and the Jordan-based Arab Mining Company, as well as banks, insurance and investment companies.

The partners are not always the same. Libya, for example, is in the OAPEC-owned Arab Shipbuilding and Repair Yard drydock, and is a shareholder with Kuwait and the UAE in the $1bn Arab Banking Corporation and the $3bn Arab Insurance Group. Iraq contributes both money and expertise to the Gulf Organisation for Industrial Consulting (GOIC), and sits on Gulf ministerial councils for labour and health. But neither are members of the GCC. Inevitably, in view of long standing tribal rivalries and alliances, and divergent ideologies, ties are closer between some states than others, and it is no accident that Saudi Arabia and Kuwait are partners with Bahrain in two of its forthcoming *industrial* ventures, the $350m Gulf Petrochemical Industries Company and the 60,000 bpd hydrocracking unit to process heavy fuel oil.

The leading proponents of Gulf industrial integration are Bahrain's Minister of Development, Mr Youssuf Shirawi, and his counterpart Dr Ghazi Al Gosaibi, Saudi Arabian Minister of Industry.

GOIC, which is based in Doha, was established five years ago by Kuwait, Bahrain, Saudi Arabia, Iraq, Qatar, the UAE and Oman to encourage the regionalisation of industries which could not be justified by the consumption of a single state. Previously Bahrain had abandoned the idea of an independent aluminium rolling mill when feasibility studies by the Swiss consultant Motor Columbus indicated that a hot rolling mill would be economic only on a very large scale, and even a strip-caster would need a capacity of 10,000 tonnes per year (tpy)—still far too big for the domestic market.

Budget

Saudi Arabia and Iraq had decided they could not profitably build a float-glass factory, despite the availability of raw material on their territory. Saudi Arabia and Kuwait shelved plans for the production of car tyres. All three projects have been taken up by GOIC, to be geared to the collective demand of the region.

GOIC had a 1981 budget of QR 20.5m ($6m), to which the five wealthier states subscribed $1m each while Bahrain and Oman paid a half-share.

An increase to QR 26m is sought for 1982. Dr Abdulla Al Moajil, the Director-General, is a teacher and researcher of pure mathematics who is on loan for four years from the University of Petroleum and Minerals in Dhahran. He succeeded another Saudi academic, Dr Ali Al Khalaf, who built up the organisation to its present strength of 80 (including 20 technical staff) and set up the data bank. Iraq provides two consultants on loan, but GOIC has found it hard to attract highly-qualified Arab nationals and its study team is multi-national.

So far regional strategies have been drawn up for aluminium, iron and steel and petrochemicals. A start is now being made on the cement industry. The first project to be realised will be the aluminium rolling mill, suggested to GOIC by Bahrain, followed by the float-glass plant suggested by Saudi Arabia.

Studies under preparation concern petroleum coke, acetic acid, soda ash, detergent, formaldehyde, tyres, silicon, compound fertiliser (NPK) and a private sector fibre-glass project for which GOIC will simply act as co-ordinator between potential partners.

The petroleum coke project was originally based on the expectation that Abu Dhabi's 120,000 bpd refinery at Ruwais, which offers the most suitable low sulphur feedstock, would more than double its capacity. It is indicative of the problems of communication in the Gulf that GOIC was not told of the decision to shelve the expansion until six months after it was taken.

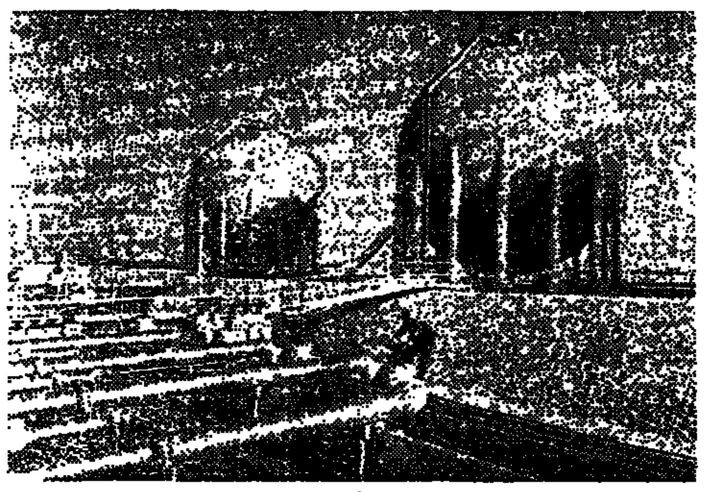
The Gulf Aluminium Rolling Mill Company (Garmco) was formed in Bahrain in January this year with a capital of $64m, to which Iraq, Bahrain, Saudi Arabia and Kuwait subscribed 20 per cent, leaving 10 per cent each for Qatar and Oman. The hot and cold mill, geared to produce the widest possible range of plate, sheet, strip and canstock, is expected to cost some $260m.

Bids for the turnkey construction contract are scheduled to be called for in May or June, and the target date for start-up is 1985. Mr Khalid Ashoor, the enthusiastic young Bahraini managing director, a civil servant with a background in economics, is full of plans for diversification into corrugated roofing sheet and foil, and sees a tremendous future for the regional manufacture not only of beverage cans but of everything from cooking pots to truck bodies. GOIC's own market studies predicted that demand for flat products would increase from 40,000 tpy to 120,000 tpy by the early 1990s.

But the only member of the Board of Garmco familiar with the technical aspects of the rolling process is the Iraqi vice-chairman, Jaffar Abdul Hadi Abbas, formerly general manager of the SEASP complex at Nasirya which includes a 15,000 tpy rolling mill.

The second GOIC project, which could require an investment of some $200m, is to be established in Iraq to manufacture 100,000 tpy of float glass under licence from Pilkington of UK. The choice of location was endorsed by Saudi Arabia, since Iraq already has some expertise in glass manufacture, but as long as Iraq is at war there can be little hope of building the plant with private funds, as at least one state had proposed. At first only the Iraqi and Saudi governments backed the project, but GOIC now says only the UAE and Oman remain on the sidelines.

Present consumption of float and sheet glass in the seven GOIC states is 85,000 t/y, a volume projected to grow to 135,000 t/y by 1985 and 160-170,000 t/y by 1990.



Oil storage tanks in Al-Ahmadi, Kuwait

For the six-member GCC, which could be expected to use GOIC as a consultative body in future, the participation of Iraq is perhaps less of a stumbling-block than the non-participation of the UAE in the collective projects which GOIC has so far promoted. There appears to be a problem of decision-making in the UAE, with the interests of various factions—notably the Dubai merchants—at odds with the Federal Government's desire to co-operate in regional planning.

Mr Jaffar Al Fardan, Deputy Minister of Finance, points out: "The law of the Emirates prevents us from joining in any *project which would compete* with a local enterprise."

At present, however, there are no aluminium rolling companies in the UAE. Those of the Al Ghurair group were set aside after the announcement of the GOIC project and no others have emerged. The impression is that the UAE is very much less than happy that Garmco is being located in Bahrain and, therefore, more likely to take its slabs from Bahrain Aluminium (Alba), rather than Dubai Aluminium (Dubal).

Although not an entirely homogeneous group, the member states of the GCC—Saudi Arabia, Bahrain, Kuwait, the UAE, Qatar and Oman—have more in common with each other than with the Baathist regime and controlled economy of Iraq. In many spheres, *integration will be a long-term goal* and industry offers the most promising prospect of visible progress.

The GCC's Industrial Co-operation Committee announced after its meeting in Riyadh last month that it would concentrate its planning on five core industries—aluminium, steel, cement, fertilisers and petrochemicals. Peripheral developments would encompass a common legal framework, industrial banking and centres for technological training and industrial specifications.

A Petroleum Co-operation Committee is to meet early next year, with the objective of drawing up a policy for refinery development and product sales.

One of the most immediate problems which the GCC trade and industry ministers must tackle, since recession in the industrialised world has brought it into sharp focus, is finding a compromise between free trade and protection. One school of thought holds that an industry which needs long-term protection is not worth starting in the first place. The merchant community meanwhile, would fight hard against a tariff system which discouraged cheap imports and reduced their income from foreign agencies.

Competition

At the same time governments are becoming aware of the abnormal nature of the competition being faced by the regional aluminium industry in a climate of world surplus. Gulf economies are strong. Thus, foreign producers — some of whom enjoy government expert incentives—are flooding in to sell at almost any price.

There is no common external tariff, and deciding at what levels it should operate is a very complicated issue.

At the primary end of the aluminium market, for example, the freedom to buy elsewhere gives independent extruders and cable-makers bargaining power with Alba and Dubal, and avoids an unhealthy monopoly; while the import of some proprietary semis, components and finished products spurs local manufacturers to extend their range and go for more sophisticated processes.

At present, Bahrain imposes a *10 per cent import duty on* industrial goods, except for companies working in the industrial free zones, which enjoy exemption. Elsewhere in the Gulf duties range from 3 to 5 per cent, unless decree otherwise. In Saudi Arabia, goods must be specified under the trade agreement with Bahrain, to qualify for duty-free entry. Mattresses are specified, but not the divans made by the same factory. Aluminium cables and rod are exempt but not aluminium extrusions. Before the recession bit deep into prices, Bahrain's extrusion company was able to sell to Saudi Arabia, which represents two thirds of the entire Gulf market in this field, despite a 20 per cent tariff. Now it is losing business.

The able and articulate Abdulla Al Moualimi, general manager of Alupco, the Saudi extrusion company, complains of excessive dumping from Far Eastern and other foreign sources, which he says puts quality-orientated suppliers and consumers at a disadvantage and undermines their common interest in the long term.

He puts the Saudi case this way: "In the absence of unified tariffs in the Gulf, not applying *the 20 per cent tariff* to regional industries would have created significant loopholes in the protection.

"Furthermore, co-operation should always be two-sided and coupled with a unified approach to the market. At any rate, it is now certain that the economic treaty signed by the GCC countries calls for a unified tariff system and the abolition of all internal tariffs." The big question is when.

Task is to achieve economic unity

CONTINUED FROM PREVIOUS PAGE

or private groups, to make a profit.

The CAEU was set up as early as 1953. The Agreement of Arab Economic Unity (AAEU) was signed in 1964 but—reflecting the differences and lack of will of member states—has proved very much less than effective as an instrument to bring about integration and collaboration.

The distinguished Arab economist Yusef A. Sayigh has written: "Total unity in effect was involved under the AAEU, yet in actual practice a shipment of tomatoes or house slippers could not be assured safe passage across Arab frontiers, and an Arab traveller could not be certain of not having to wait for hours at the frontier of a sister country."

Trade barriers

Since it came notionally into being in 1964 the Arab Common Market has failed to break down trade barriers or, indeed, has only attracted seven states to join—Egypt, Iraq, Jordan, Libya, Sudan, Syria, Libya and South Yemen. Dealings among them amount to only a fraction of their total exchanges of goods. In 1980, it is calculated, among all the states only 10 per cent of imports and 6 per cent of exports were accounted for by intra-Arab trade.

The achievements of the CAEU and its subsidiary the Arab Industrial Development Organisation (AIDO) have not been negligible, however. They include the formation of pan-Arab companies concerned with mining, animal resources, pharmaceuticals and medical supplies, and general industrial investments. A critical test of the common aim will be the deployment of the $5bn (a sum which will probably be soon increased) which the Arab summit conference held in Amman last year decided should be spent in the poorer Arab countries as part of pan-Arab development programme.

The money is being provided by the oil-rich states and its spending supervised by the Arab Fund for Economic and Social Development. Full details of the programme have not been revealed yet but it is known to include the restructuring of Sudan's sugar industry which has already been a noteworthy, if not wholly successful, object of pan-Arab collaboration in the form of the Kenana sugar project.

Joint projects

Very much more impressive in terms of investment and implementation, however, have been the joint projects launched by the Organisation of Arab Petroleum Exporting Countries, a 10-member body (from which Egypt is now suspended), on the one hand, and the conservative Arab oil producers of the Gulf, on the other. The latter's appreciation of the need for co-ordination, as well as a shared self-interest, was shown by the setting up in 1976 of the Gulf Organisation for Industrial Consulting, which is concerned with the economic viability of industrial projects, the avoidance of duplication and also social implications. Bahrain, with its need to create employment opportunities, its adaptable labour force and gas resources, has been the main beneficiary of this co-ordination.

Arab industrialisation is proceeding fastest in the Gulf where the great concentration of wealth is. The prospective build-up of capacity for petrochemicals, steel and aluminium must be considered a bold step on the part of the conservative oil producers. The co-ordination and consultation to which they are committed should go a long way to assuring that development is politically, socially, as well as economically, sound.

For the rest of the Arab world, meanwhile, there may prove to be an important lesson in the creation earlier this year of the Gulf Co-operation Council, by Saudi Arabia, Kuwait, Bahrain, the United Arab Emirates, Qatar and Oman. These states represent a homogeneous group with many interests in common and the least collective security arrangements.

At the same time, their economic collaboration could provide the basis for the greater harmonisation throughout the Arab world that has been so singularly lacking in the past.

UK COMPANY NEWS

A. Russell ahead at mid-term

FIRST-HALF pre-tax profits of Alexander Russell improved from £704,000 to £855,000 and the net interim dividend is being raised from an adjusted 0.45p to 0.54p—last year's final was equal to 0.8p.

Turnover for the six months to September 30 1981 rose to £9.9m (£9.1m). Tax took £103,000 (£139,000) and after minority debits of £35,000 (45,000) the attributable balance emerged at £717,000 (£520,000).

The group is engaged in distribution of fuel and building supplies, quarrying and coal recovery.

Bardon Hill up 8.2% mid-year

ON REDUCED turnover of £9.76m against £10.09m, Bardon Hill Group boosted pre-tax profits 8.2 per cent in the six months to September 30 1981, from £1.01m to £1.09m.

The interim dividend of this "close" company, involved in quarrying and civil engineering, is being raised from 2.4p to 2.5p net per 50p share. Last year's total payment was 7.25p when the taxable surplus reached £2.16m.

Mr J. Gregory Tom, the chairman, describes trading in the first quarter as disappointing but adds: "Increased activity in the last three months, together with a stringent control of costs, contributed towards a reasonably satisfactory result."

He is unable to make a "sensible forecast" for the remainder of the year.

Tax took £451,000 (£485,000) leaving £643,000 (£526,000) available for distribution. Earnings per share are given as 10.52p (8.62p).

SPAIN

December 16	Price %	+ or −
Banco Bilbao	331	
Banco Central	322	−4
Banco Exterior	303	
Banco Hispano	325	
Banco Ind. Cat.	115	
Banco Santander	347	−3
Banco Urquijo	210	−2
Banco Vizcaya	346	−2
Banco Zaragoza	210	
Dragados	123	−5.5
Espanola Zinc	60	
Fecsa	63.5	−0.5
Gal. Preciados	40	−1
Hidrola	76.2	−0.8
Iberduero	56.5	−1
Petroleos	90	+3
Petroliber	104	+1
Sogefisa	40	
Telefonica	71	−1
Union Elect.	71	−1.5

Marley bounces back in second half

AFTER PLUNGING by more than 50 per cent to £5.06m at the midway stage, compared with £10.38m, taxable profits of Marley bounced back strongly in the second six months, and for the year to October 31 1981 finished marginally ahead at £15.1m, against £15.03m.

Turnover of this building products manufacturer improved from £339.12m to £363.45m for the 12 months but trading profits emerged much the same at £26.37m (£23.64m).

It is pointed out that the substantial reorganisations carried out last year in the UK together with a systematic programme of cost reductions enabled the group's UK operations to increase trading profits from £4m in the first half to £10.6m in the second six months—a considerable improvement over the £4.07m for the same period a year ago.

The results for the year were achieved despite a decrease in volume while demand for group products, although better than in the earlier part of the year, was still restricted and "will remain so until interest rates come down further and the economy recovers."

HIGHLIGHTS

Lex looks at the money markets yesterday before moving on to the company news of the day. Marley has produced a good second half with profits from UK operations for the full year offsetting heavy trading losses in the U.S. The column then moves on to look at the rights issue from Rea Brothers and then considers the latest position at Doxford. Finally Lex rounds up on the current major bid positions. On the inside pages the latest figures from insurance broker Stenhouse come in for comment as does the lower profits from motor trader T. Cowie. Food retailing group Lennons launched a £2.7m rights issue along with its half-time profits yesterday.

During the second half further UK rationalisation took place, particularly in transport, distribution and merchanting businesses, and this will give rise to additional benefits in the future, the directors say.

The pre-tax surplus was struck after interest of £12.86m (£11.97m) and included a share of profits of associates well down at £1.59m (£3.36m).

Tax took £7.99m (£5.26m), leaving the net profit lower at £7.11m, compared with £9.77m. Minority debits were higher at £830,000 (£524,000) and after extraordinary losses of £529,000 (£4.08m) the attributable balance came through at £5.76m (£5.07m).

Although stated earnings per 25p share were 1.5p down at 3p a same-again final dividend of 1.25p maintains the net total at 2.25p.

Current cost accounting reduces the pre-tax figure to £7.09m (£5.73m) and on the same basis there was a loss per share of 0.6p (0.1p earnings).

The directors point out that overseas results (trading profits were higher at £11.75m, against £11.3m) were affected by pre-tax losses of £3.8m (including £1.4m of interest payable in the U.S.) in respect of Ingrid, the group's U.S. subsidiary.

The directors state: "Based on internal management accounts, this subsidiary appeared to be trading close to break-even in the first half of the year; subsequently, however, it became apparent that losses were being suffered which were not being properly accounted for.

"Accordingly, the management of the subsidiary was changed and a new chief executive was appointed on July 1 1981; in addition, Price Waterhouse were appointed auditors."

The directors add that as a result of investigations it was discovered that "unsatisfactory trading practices had led to serious losses."

Other overseas subsidiaries performed satisfactorily.

The reduction in associates' profits stemmed largely from French and U.S. roofing operations. Although market share increased demand in both these countries was depressed.

See Lex

Cowie rallies in second half

AFTER first-half losses of £195,000, compared with profits of £652,000, T. Cowie swung back into the black in the second half with pre-tax figures of £139,000 against £599,000. Pre-tax figures for the year to September 30 1981 were well down, however, plunging from £1.25m to £334,000. The final dividend is cut from 2.2p to 0.8p for a much lower total of 1.6p, down from 3p.

Turnover of this motor vehicle dealer and credit finance company climbed from £69.81m to £91.19m.

The motor division contributed £299,000 to the group profits and the finance division's share was £483,000. Losses of £253,000 were incurred by the travel division, and the agricultural division also suffered losses totalling £195,000.

The pre-tax figure was struck after interest charges down from £2.01m to £1.93m. There was a tax charge of £156,000 compared with a credit of £308,000, leaving a net loss of £52,000 (£1.56m profit), after extraordinary debits this time of £230,000.

Extraordinary items comprise the net loss of group reorganisation and rationalisation. There was a loss per 5p share of 0.1p (8.5p earnings). On a CCA basis, pre-tax losses were £490,000.

● **comment**

Eighteen months on, Cowie's takeover of the Ewer companies has come to look almost as ill-advised as it was acrimonious. Recession has inevitably reduced the profitability of Cowie's original motor dealerships, although they seem to have preserved rather wider margins than are common in the trade. Burrell's, the Bedford dealer which was one of Ewer's attractions quickly went sour and was closed. The unwanted agricultural equipment business, has also run deeper into loss, necessitating various cuts and closures. And although Cowie was quick to withdraw from the British Coachways cut-price travel promotion, Grey Green Coaches still lost £½m in the year. The only element of progress was in the hire-purchase and leasing venture; but its advance could not make good all the losses suffered elsewhere. There must be some hope that the year's reorganisation will come through to profit in 1982, but at the moment Cowie is 100 per cent geared and the dividend freshly cut. At 28p the shares yield 8.4 per cent.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
E. Austin	int.	0.43	Feb 10	0.43	—	1.31
Bardon Hill	int.	2.5	Jan 7	2.4	—	7.25
Bluemel Bros.		Nil	—	1.65	Nil	3.3
T. Cowie		0.8	Feb 25	2.2	1.6	3
Elson and Robbins		0.1	Feb 10	3.49	0.1	5
Equity Consort Inv.	int.	3.15	Jan 29	2.98	—	9.28
Hampton Gold	int.	0.75	Feb 8	0.75	—	2.5
Jacksons B'rne End	int.	2	Feb 4	2	—	5
Kennedy Smale	int	2.5	April 2	2.1	—	4.38
Wm. Leech		3.3	Feb 26	3.3	6.6	6.6
Lennons	int.	0.85	—	0.75	—	2.4
Marley		1.25	April 2	1.25	2.25	2.25
Radiant Metal	int.	1	Jan 25	1	—	3
A. Russell	int.	0.54	Jan 29	0.45*	—	1.25*
Stenhouse Holdings		3.28	April 15	2.83	5.1	4.65

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Not less than 9.45p forecast.

Stenhouse improves by 12.8%

PRE-TAX profits of Stenhouse Holdings show a 12.8 per cent increase from £7.74m to £8.73m for the year to September 30 1981 and the net dividend total is being lifted from 4.65p to 5.1p with a final payment of 3.28p. Earnings per share advanced from 10.17p to 11.27p.

Reed Stenhouse, the international insurance and reinsurance broking group in which Stenhouse Holdings has a 53.69 per cent stake, lifted its pre-tax profits from £13.27m to £15m. These results benefited from exchange rate movements during the 12 months, whereas these had a significant adverse effect on the previous year.

Mr Herbert Houghton, chairman, considers the insurance broking result to be satisfactory in view of the state of the world economy and conditions prevailing in the insurance industry. He says that these factors, combined with additional programmed development expenditure, will affect 1982 results.

An increased loss is expected for the first quarter but it is anticipated that, if exchange rates remain at present levels, insurance broking profits for the current year will comfortably exceed those now reported.

Profits of the Lloyd's underwriting companies acquired by Stenhouse Holdings at the end of June were as anticipated at that time. The purchase of these companies and their amalgamation with the group's existing Lloyd's underwriting agency companies has greatly expanded and broadened the group's presence at Lloyd's.

Profit of the combined companies for the period July 1 to September 30 1981 was £336,000. But Mr Houghton says that this should not be taken as normal as, due to the accounting date of the newly acquired companies being changed from January 31 to September 30, 12 months' profit commission was received in the eight-month accounting period and a proportionate part of this was allocated as post acquisition profits for the period from July 1 to September 30.

● **comment**

Without generating any excitement, Stenhouse has done rather better than most market estimates. This is only partly a matter of favourable exchange rates: at the average rates prevailing in 1980, the Reed-Stenhouse profits for this year would have translated at about £14.5m, marking an advance of almost 10 per cent. The improvement owes a certain amount to the dividend/interest account, since the broking expense ratio has worsened slightly. In the present climate, Stenhouse's broking performance is probably quite creditable, as costs have not been easy to control while premiums in many classes have softened further. This is particularly true of the UK, where some rates on renewals are said to be as much as 50 per cent below those obtained in December 1980. Considerable effort has again gone into development of the U.S. market without yet breaking into profit. If only because there may be quite a lot to come out of further improvements in average dollar rates (both U.S. and Canadian) this could be the year when Stenhouse begins earning in the U.S. The shares yield a well-covered 5 per cent at 95p, where the fully-taxed historic p/e is 8.4.

Kennedy Smale buoyant

A SUBSTANTIAL increase from £501,360 to £711,009 in pre-tax profits is reported by Kennedy Smale for the half-year to September 30 1981. Sales of this engineer with interests in control equipment and textile machinery, advanced from £1.82m to £2.35m.

The net interim dividend is raised from 2.1p to 2.5p—last year's final was 4.375p from pre-tax profits of £941,302 (£700,064).

The directors say that profits for the year to March 31 1982 should also show an increase.

Tax for the half-year took £306,000 compared with £260,656.

South Crofty shareholder in re-listing move

South Crofty shareholders Mr Christopher Whitmey, a management consultant, is planning a legal application to the Court with a view to "requiring the company to meet the requirements of the Stock Exchange to get a re-listing of the shares."

The listing of South Crofty, together with Milbury — both Saint Piran subsidiaries — were suspended after legal control of Saint Piran passed to Gasco Investments, the master company of Mr Jim Raper, a former Saint Piran chairman.

Mr Whitney is also seeking a declaration from the Court that "all or some of the allotments and issues in September 1977 of a total of 13m shares in South Crofty to Saint Piran Services and Saint Piran were invalid and be struck off the register."

In addition he is seeking leave to bring an action on behalf of South Crofty "to recover the net sum of £1.5m, or thereabouts, plus damages."

IN BRIEF

RELIABLE PROPERTIES—Final dividend 1.25p making 2.5p (same) for year ended June 30 1981. Profit after tax £247,903 (£250,590).

FAIRDALE TEXTILES—Turnover for six months ended August 1 1981 £3.5m (£2.9m). Pre-tax loss £58,896 (£65,188 profit). Tax £30,621 credit (£33,896 debit) Loss after tax £28,265 (£31,290 profit). Earnings per share nil (0.48p).

DUPLE INTERNATIONAL (coachbuilding, plastics and engineering)—Results for year to August 31, 1981, reported November 20. Group shareholders' funds £9.31m (£9.12m). Net current assets £3.85m (£4.53m). Fixed assets £5.56m (£5.48m). Capital expenditure £0.60m (£2.12m). Working capital decreased £2.03m (£0.17m increase). Grovewood Securities holds 29.5 per cent of equity. Meeting, Connaught Rooms, WC, January 6, noon.

FULCRUM INVESTMENT TRUST (split capital investment trust)—Results for year to October 31, 1981, reported December 1. Capital reserves £218,753 (£344,857): shareholders' funds £1.13m (£1.25m): bank balances £1,329 (£23,927): debtors £67,673 (£29,672): current liabilities £76,336 (£103,241): Meeting: Newcastle upon Tyne, January 7, at 2.30 pm.

WYNDHAM ENGINEERING—Turnover for half-year to September 30 1981 £142,000 (£237,000). Pre-tax profits £17,600 (£29,000), tax £7,000 (£11,600). The board says prospects for the second half will depend on some improvement in the industrial climate.

EQUITY CONSORT INVESTMENT TRUST — Interim dividend 3.15p (2.975p) net for six months ended October 31, 1981. Revenue after tax £245,534 (£233,647). Tax £124,548 (£114,478) NAV per ordinary 220p (224p), deferred ordinary 240p (249p). Board says that subject to there being no unforeseen developments before the company's year end, it expects to be able to recommend a net final ordinary dividend of not less than 6.3p, making a total 9.45p (9.275p), and a net annual dividend on the deferred shares of not less than 10.5p per share (10.15p).

CORAL INDEX
Close 516-521 (+6)

OIL INDEX
January Refined $43.00
March Refined $42.40

Ace Belmont picks up well in second half

PRE-TAX PROFITS of Ace Belmont International more than doubled in the year to August 31, 1981, from £611,000 to £1.39m, although still well short of previous levels. Turnover of this caravan manufacturer was down from £34.05m to £32.21m.

At the interim stage the company reported profits down from £750,000 to £481,000 with turnover static at £16.2m (£16.12m).

The pre-tax figure was struck after interest charges considerably lower at £123,000 compared with £351,000. Tax took £105,000 (£126,000 credit) and after extraordinary debits of £239,000 (£254,000), attributable profits emerged at £1.04m (£483,000). Stated earnings per £1 share climbed from 25.2p to 51.1p.

Ace Belmont International is a "close" company and apart from manufacturing caravans its other interests include property development, engineering and plastics.

YEARLINGS TOTAL £7.7M

Yearling bonds totalling £7.7m at 15½ per cent redeemable on December 22 1983 have been issued this week by the following local authorities.

Bury (Metropolitan Borough of) £0.25m; Rhondda BC £1m; Harborough DC £0.45m; Lambeth (London Borough of) £0.5m; North Hertfordshire DC £0.5m; Salford (City of) £0.5m; Wansbeck DC £0.25m; Wellingborough DC £0.25m; Newark DC £0.5m; Redditch DC £0.5m; Tameside Metropolitan BC £1m; Portsmouth (City of) £1m; Sunderland (Borough of) £1m.

LONDON TRADED OPTIONS

Dec. 17 Total Contracts —. Calls —, Puts —.

Option	Ex'rcise price	Jan. Closing offer	Jan. Vol.	April Closing offer	April Vol.	July Closing offer	July Vol.	Equity close
BP (c)	300	28	—	36	11	48	—	320p
BP (c)	320	13	5	—	—	—	—	"
BP (c)	330	—	—	22	10	36	—	"
BP (p)	300	7	10	15	—	22	—	"
BP (p)	320	12	6	—	—	—	—	"
BP (p)	330	—	—	28	10	38	—	"
CU (c)	120	16	25	21	5	26	—	129p
CU (c)	130	11	—	16	1	19	—	"
CU (c)	140	4	—	10	15	13	—	"
CU (c)	160	2	—	5	2	—	—	"
Cons. Gld (c)	460	52	—	65	3	80	—	504p
Ctlds. (c)	60	16½	5	20	7	21	—	75p
Ctlds. (c)	70	7	17	11	—	15	5	"
Ctlds. (c)	80	2½	6	5	2	7½	3	"
GEC (c)	750	63	12	84	—	110	—	801p
GEC (c)	800	23	20	48	38	74	—	"
GEC (c)	850	7	—	21	24	—	—	"
GEC (p)	750	10	1	25	3	32	—	"
GEC (p)	800	22	15	35	1	45	—	"
Gr'd Met. (c)	160	21	9	29	10	34	—	173p
Gr'd Met. (c)	180	8	1	14	—	22	—	"
Gr'd Met. (c)	200	3	—	8	8	14	—	"
ICI (c)	280	12	2	28	—	38	—	285p
ICI (p)	280	13	—	18	—	22	1	"
ICI (p)	300	24	17	30	—	34	—	"
Mks. & Sp. (c)	110	18	—	22	—	25	1	125p
Mks. & Sp. (c)	120	9	—	16½	1	20	—	"
Shell (c)	360	52	25	66	—	76	—	410p
Shell (p)	390	7	1	16	30	22	—	"
		February		May		August		
Barclays (c)	420	33	5	40	—	56	—	453p
Imperial (c)	70	8½	29	7½	46	11	—	71p
Imperial (c)	80	2½	—	9½	55	5½	33	"
Imperial (p)	70	4½	—	6	50	8	—	"
Lasmo (c)	500	17	—	32	1	42	—	439p
Lasmo (c)	550	12	—	17	3	—	—	"
Lonrho (c)	80	5	—	4	4	6	—	78p
P & O (c)	100	29	170	32	—	—	—	125p
P & O (c)	110	20	13	23	—	—	—	"
P & O (c)	120	16	44	19	1	24	—	"
P & O (c)	130	10	61	13	15	17	5	"
P & O (c)	140	6	45	7	20	—	—	"
Racal (c)	390	50	1	63	—	77	—	423p
Racal (c)	460	13	1	27	—	—	—	"
Racal (p)	390	13	4	20	—	27	—	"
Racal (p)	420	25	4	32	1	38	—	"
Racal (p)	960	50	1	55	—	—	—	"
Vaal Rfs. (c)	60	10½	10	11½	—	13½	—	$68
Vaal Rfs. (c)	80	1	5	3½	—	—	—	"

C=Call P=Put

ARAB INDUSTRIALISATION III

Declining reserves bring need to diversify

Oil states seek greater share of projects

DURING THE next ten years the value of investments in petroleum projects throughout the Arab world will be in the region of $100bn-$120bn.

This estimate was provided by the Arab Engineering and Consulting Company, one of the offshoots of the Organisation of Arab Petroleum Exporting Countries (Oapec), in an effort to underline the importance of the producers co-operating in order to retain a larger slice of the vast amount of business which they are generating.

Oil revenues of Oapec members last year are estimated to have reached $209m, but the last annual report warns that reserves of 336.1bn barrels could be exhausted by the year 2027.

The reduction in the forecast lifespan of reserves from 97 years in 1960 to the current 46 years is helping to concentrate the Arab mind on the necessity of regional industrial co-operation and to ensuring an improved flow of technology from Western countries.

Without this the Arab oil producers fear that their heavy dependence on the industrialised world will act as a block to diversification away from totally hydrocarbons-based economies.

The main thrust of Oapec's activities has been in the area of oil-related services. In 1975, it established the Arab Petroleum Investments Corporation with the intention that it should operate as a strictly commercial venture which would earn profits for its shareholders.

Major ventures

Its executives have emphasised that *Apicorp should not* be confused with the many Arab funds offering concessionary financing and that its projects would be judged solely on their economic merits. As if to confirm this, Apicorp showed a net profit of $32.6m last year compared with $28.3m in 1979.

Among the major ventures with which Apicorp has been associated during the past 12 months is the scheme for establishing a detergent chemicals plant in Iraq and for factories to produce synthetic rubber and carbon black at sites still to be decided.

Apicorp and the Iraqi Government both took 25 per cent shares in the Arab Company for Detergent Chemicals when it was set up in March. The company is capitalised at $240m of which $120m has been subscribed.

At full production, it is planned to produce 50,000 tonnes a year of sodium tripolyphosphate and linear alkyl benzene. The remaining 50 per cent participation in the company is being offered to other Oapec members.

The synthetic rubber plant seems most likely to be situated in Libya, close to the Ras Lanuf ethylene project.

OAPEC

ROGER MATTHEWS

The preliminary study carried out in conjunction with the Arab Organisation for Industrial Development pointed to an annual output of 450,000 tons of styrene butadiene rubber and some 25,000 tons of polybutadiene.

Planning is still in the early stage, however, and co-operation has been sought from leading producers of synthetic rubber to work out ways in which the project might be implemented.

Apicorp is also looking into the feasibility of a chemical fertiliser factory in Syria and the best ways of exploiting natural gas and petroleum condensates in Tunisia.

While so much of Apicorp's industrial involvement remains on the drawing board it has been acting with rather more immediate effect as manager and underwriter for two important loans. It handled this year the $300m loan for Bahrain to purchase 60 per cent of the Sitra refinery which has a capacity of 250,000 barrels a day and also participated in the $60m facility which is providing over 80 per cent of the capital for plants to produce urea and ammonia in Somalia.

One of the few yardsticks against which to measure the success of Oapec's efforts to involve itself in petroleum related industries is the Bahrain-based Arab Shipbuilding and Repair Yard (Asry).

Opened in 1977, with a fully subscribed capital of $340m, Asry was designed to cope with the largest tankers afloat. It reported 90 per cent occupancy during 1980 in what were rather depressed conditions for the shipping industry, but even so admitted a deficit of nearly $10m.

Sheikh Daij bin Khalifa al Khalifa, chairman of the board, claimed that productivity in the yards was higher than in any previous year, but that it had been adversely affected by the depressed oil transportation market and by increased insurance costs due to the war between Iraq and Iran.

Although the yards have been managed by Lisnave of Portugal, which maintain about 200 staff in Bahrain, Asry says that its policy of increasing the proportion of local employees is progressing. Some 57 per cent of Asry employees are Arabs and greater efforts have been made to promote them into more senior management positions.

Oapec is faced, however, with far more challenging issues on the future of its shiprepairing activities. The United Arab Emirates has suggested that Asry should take over the huge Dubai dry docks which is arguably one of the more impressive industrial white elephants constructed in the wake of the early 1970s oil price boom.

Asry officials are extremely sceptical about the proposal, but they may be prepared to take over the smallest of the three docks in Dubai capable of handling tankers up to 350,000 dwt.

Feasibility study

But at the same time, Asry has put in hand a feasibility study for constructing a second dry dock in Bahrain, designed to exploit the trend towards rather smaller crude carriers.

While Asry hopes to be profitable by 1984, the future for one of its customers, the Oapec-sponsored Arab Maritime Petroleum Transport Company (AMPTC) is rather less certain. Mr Abd al-Aziz al-Turki, chairman of AMPTC and Saudi Arabia's deputy oil minister, said that although the performance of the company last year was "outstanding," it was likely to continue incurring losses unless Oapec member governments made available a greater tonnage of cargo.

Losses last year on the fleet of 10 vessels—eight tankers and two LPG carriers—were put at just under $18.5m, about 12 per cent less than the 1979 deficit. Seven of the ships were contracted to member state's national oil companies on "favourable time charter rates."

Lubricants

An area of rather more promising profitability in which Oapec members are planning to expand concerns the production of lubricating oils.

Mr Mahmoud Hamra Krouha, who chairs the Arab Engineering and Consulting Company (Aecc) and is executive head of the Abu Dhabi National Oil Company, is anxious that Oapec members should rapidly identify *and develop their own expertise* in projects such as these.

He has suggested that during the next two years Aecc should concentrate on general oil market studies, consultancy and technical studies and then move on to providing actual technical and management assistance to individual Arab companies.

The key problem, as ever, for Arab countries is the degree to which such planned co-operation can overcome the often competing interests of individual countries.

PRINCIPAL INDUSTRIAL PROJECTS

Organisation of Arab Petroleum Exporting Countries (Oapec) investment cost of the principal industrial projects by sector and by country. Figures in $m.

	Algeria	Bahrain	Egypt	Iraq	Kuwait	Libyan Arab Jamahiriya	Qatar	Saudi Arabia	Syria	U.A.E.	Total Oapec
Refining and Gas Processing	2,500	400	1,392	4,200	500	1,218	850	12,495	433	3,250	27,238
Petrochemicals and Fertilisers	1,376	300	744	3,000	720	3,500	1,310	8,575	556	800	20.881
Basic Metallurgy	500	300	1,957	630	—	4,150*	423	680	—	1,850	10,490
Cement	750	—	869	1,481	—	610	50	1,486	944	135	6,325
SUB TOTAL	5,126	1,000	4,962	9,311	1,220	9,478	2,633	23,236	1,933	6,035	64,934
Other Manufacturing	5,675	50	5,830	1,723	90	1,656	170	6,174	1,565	515	23,448
TOTAL	10,801	1,050	10,792	11,034	1,310	11,134	2,803†	29,410	3,498	6,550†	88,382

PER CENT COMPOSITION

	Algeria	Bahrain	Egypt	Iraq	Kuwait	Libyan Arab Jamahiriya	Qatar	Saudi Arabia	Syria	U.A.E.	Total Oapec
Refining and Gas Processing	23.1	38.1	12.9	38.1	38.2	10.9	30.3	42.5	12.4	49.6	30.8
Petrochemicals and Fertilisers	12.8	28.6	6.9	27.2	55.0	31.4	46.7	29.2	15.9	12.2	23.6
Basic Metallurgy	4.6	28.6	18.1	5.7	—	37.3	15.1	2.3	—	28.2	11.9
Cement	6.9	—	8.1	13.4	—	5.5	1.8	5.0	27.0	2.1	7.2
SUB TOTAL	47.4	95.3	46.0	84.4	93.2	85.1	93.9	79.0	55.3	92.1	73.5
Other Manufacturing	52.6	4.7	54.0	15.6	6.8	14.9	6.1	21.0	44.7	7.9	26.5
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* Includes an "integrated" iron-steel project. † To be added an "integrated" oil project ($U.S.$2,500m).

Source: ENI. "The Interdependence Model."

Patrick Cockburn assesses conflicting needs of oil states

Migrant labour brings problems

THE 1973-74 oil boom brought a flood of labour into the oil states throughout the Middle East. Today there are over 2m Asians working in the area, mostly from the Indian subcontinent, and some 2.5m Arabs with their dependants who have migrated in order to find work. In a number of the oil states the immigrants have a near monopoly of manual labour.

Most oil states now speak of increasing the participation of their indigenous population in the workforce or reducing the number of immigrants by high technology. But in Saudi Arabia and along the western shore of the Gulf, economies and social systems have become dependent on the migrants. Their own labour is unskilled and expensive. Even in oil states with large populations like Iraq (13.3m population) the number of Iraqis on construction sites mushrooming in Baghdad is diminishing. They are replaced by Indians, Pakistanis, South Koreans and other Asians.

Some Arab states have now become dependent on remittances from their workers abroad as their main source of foreign exchange. In North Yemen, Jordan, Lebanon, Syria, Egypt, Tunisia, Morocco, South Yemen and even Algeria the export of labour is a crucial support for the balance of payments. In North Yemen, for instance, invisible earnings from remittances totalled $1.5bn by 1978-79 and from exports only $2m. Jordan's prosperity is founded as much on the export of expertise and labour as the large sums the Government receives in the form of foreign aid. In Lebanon remittances were partly responsible for funding a real estate boom despite the intermittent fighting.

Mixed results

Yet for Arab exporters of labour the results of emigration have not been entirely beneficial. Countries like Jordan are deprived of skilled workers and trained managers. Secondly, local wages and salaries have to compete with those available in the Gulf. In countries like North Yemen economic development is held back by the high cost of labour and the drain of skilled labour across the border into Saudi Arabia.

Asian countries complain that they are also losing their skilled workers, but in general terms the export of labour is the only way in which they can pay for increased oil prices. Pakistani remittances, mostly from the Middle East, will total an estimated $2.1bn in fiscal 1981.

South Korea insists that companies working on construction contracts in the Middle East should employ South Koreans for whom a minimum wage of $400 a month is set. In China the state organises and controls the export of labour which is beginning to appear in the Middle East.

Once the immigrants arrive in the oil states statistics become obscure and the subject of foreign labour sensitive. In many states it is undestimated. Saudi Arabia, for instance, is believed to have some 2.1m foreign workers, against 5m nationals. But even these figures are very uncertain. In 1975, for instance, 91 per cent of the non-nationals in the country were Arabs while the 38,000 Asians made up 4.8 per cent of the total. Since then there has been a large increase in the number of Pakistanis, Indians, South Koreans, Filipinos and Thais to 800,000. The price of unskilled labour has fallen in the kingdom to the dismay of Arab labourers and particularly North Yemenis. The Saudis find that Asian labour is not only cheaper and more productive but is politically safer.

The oil rich states of the Gulf have now mostly become caste societies who will need to import labour and technical skills from abroad on a large scale for the foreseeable future. There is nothing in itself wrong with th-. But a desire not to admit the degree to which they are now reliant upon foreign workers, whose wages and salaries are seldom low compared to their country of origin, makes oil states over-optimistic about their chances of establishing industries which make economic sense. The cost of hiring expatriate managers and technicians as well as the labour force even erodes much of the advantage of cheap feedstock in the various petrochemical plants around the Gulf.

The development of other manufacturing industry makes even less sense and most of it will only exist with heavy *government subsidies. It is difficult* to see where the Misurata steel works in Libya will find its markets or to believe that the $3bn car assembly plant the Iraqis are contemplating will ever really be economically worthwhile.

There is greater appreciation of this point today than there was in the enthusiastic days after the first oil boom in 1973-74. In the mid-1970s, for

CONTINUED ON NEXT PAGE

Michael Field studies impact of oil prices on petrochemicals

Cost gap between Arab and Western plants is shrinking

"THE EMERGENCE of the Middle Eastern petrochemical industry has created a yet more vigorous industry — that of predicting what its effect will be."

This ironic but true observation was made by Mr Paul Ray, an ICI analyst, at a plastics conference in New York early this month. Both the slow developing Middle Eastern industry and the forecasting business were born in the aftermath of the 1973-74 oil price explosion. Both have been through two distinct phases since then.

In 1974 the inspiration of the Middle Eastern oil states' petrochemical projects and of most of their other major industrial projects, was their Governments' resolve to make use of the surplus gasses that are produced with oil. These gasses—methane, ethane, propane, butane and a range of heavier gasses — come to the surface dissolved in the crude, are separated from the oil at the de-pressurisation stage, and are then mostly flared.

This was still the pattern in most states five years after the oil crisis. In 1979, Saudi Arabia flared 75 per cent of its gas production, Iraq 84 per cent and Abu Dhabi 60 per cent. The gas that was not flared in these countries went mainly to fuel refineries, cement plants, power stations and desalination plants. Part of Saudi Arabia's production of propane, butane and heavier gasses was being exported as Natural Gas Liquids through the first completed units of the Kingdom's gathering and liquefaction system.

Other high costs in the Gulf apply to wages and accommodation of foreign personnel. It has been estimated by the Gulf Organisation for Industrial Consulting, based in Doha, Qatar, that wages and associated overheads in the Gulf will run at about 75 per cent above the normal level in the United States.

There is also a high likelihood of breakdowns in the extremely severe Arabian environment. Summer temperatures on the Gulf coast can run to 110F; there is intense, saline humidity and a dust-laden atmosphere. The early fertiliser plants in Qatar and Saudi Arabia suffered frequent breakdowns in their first few years of operation.

In all parts of the world it is accepted that high technology plant is bound to be affected by teething troubles in its early stages; the difference with the fertiliser plants was that it took much longer than normal to solve the problems. Repair and maintenance work on these plants proved to be much more expensive than it would have been in an industrialised country. There are obvious disadvantages in running a plant in a technologically unsophisticated environment in which spare parts and expertise in repair work are not close at hand.

Other producers, with smaller oil production and more advanced industrial projects, were flaring only 20-30 per cent of their associated gas production in 1979.

Offsetting effect

In all states in the mid-1970s it was felt that the surplus gas should be used for new capital- and energy-intensive industries: petrochemicals, fertilisers, steel, aluminium and oil refining. The biggest part of the petrochemical capacity was to produce ethylene, the so-called buying naphtha feedstock chemicals industry, and its derivatives. On a smaller scale there were plans for the production of aromatics and methanol.

The idea was that the gas could either be given to the industries or sold at a price which covered just the cost of the collection and distribution system. On the latter basis it was calculated in 1974 that ethane gas, a feedstock for petrochemical production, could be supplied to plants in the Middle East for about 12 per cent of the price that petrochemical plants in Europe were buying naptha feedstock. Naphtha, which can be produced from either crude oil or natural gas liquids, was then selling in Europe at $125 a tonne.

It was reasoned that the low price of feedstock, together with subsidised supplies of water and electricity, should offset the high level of other costs. The capital cost of building petrochemical plants in the Middle East was estimated to be anything from 50 per cent to 100 per cent more than the cost of building the same plants in Europe or America. According to CdF Chemie, which is a partner in the only Gulf petrochemical plant to have come on stream so far, the capital cost of its ethylene plant in Qatar worked out at 60 per cent above European levels.

Throughout most of the 1970s the prediction industry referred to by the ICI executive, held that the extra capital and operating costs would marginally outweigh the advantages of very cheap gas and subsidised utilities. It argued that most of the industries planned in the Middle East would never be built.

The Arab governments denied this, but moved ahead cautiously with their projects. Their prospective foreign company partners were still more hesitant, partly because they were genuinely sceptical about the economics of their projects and partly because they were bargaining for bigger crude oil entitlements as rewards for their investments. It is reported that Mobil, which is investing in an ethylene plant at Yanbu, spent $31m on feasibility studies between 1976 and its final commitment to the project in April 1980.

The economics of petrochemicals and other industries changed dramatically in 1979 and 1980. The second oil price explosion caused by the Iranian revolution more than doubled the price of naphtha in Europe. Feedstock which had been $125 a tonne in 1974 reached over $300 a tonne in mid-1980. This enormously increased the cost advantage of the planned Middle Eastern industries.

At the same time it was becoming clear that developments within the Middle East were reducing some of the cost disadvantages of building large-scale industries there. The removal of bottlenecks in ports, transportation and housing, together with the general easing of working conditions in all Middle Eastern countries since the boom days of 1974-76, has caused a downwards revision of expected "extra" capital costs.

Dr Ali Khalaf, the Saudi director general of the Gulf Organisation for Industrial Consulting, suggested in a lecture in Tokyo earlier this year that the capital cost of a 450,000 tons a year ethylene plant in the Gulf should now not be more than 50 per cent above that of the same plant elsewhere. Dr Ghazi Algosaibi, the Saudi Minister of Industry, has suggested 25 per cent extra as a more likely figure. Part of these remaining extra costs are attributed to the special facilities that have to be installed to protect the plants against the harsh environment.

A less widely noticed favourable development in the last three or four years has been the establishment of various high technology service companies in the Arabian Peninsula. These operations, which are mostly joint ventures between private Arabian businessmen and foreign companies, are geared to provide back-up for state projects. The Arab Governments have been surprised and gratified by the private sector's initiative in seizing the spin-off opportunities presented by their development programmes.

Under the new conditions prevailing in the Gulf, GOIC has calculated that it should be possible to produce ethylene in a 450,000 tons a year plant for just 54 per cent of the cost of producing ethylene in the United States. This figure, given by Dr Khalaf in Tokyo in February 1981, is based on calculations made by GOIC in 1979. At the time the calculations were made, fairly soon after the beginning of the second surge in oil prices, they were probably optimistic, but they sounded more plausible when Dr Khalaf delivered his speech.

Incentive crude

The effect of the change in market conditions on the prospective foreign partners in Saudi Arabia's petrochemical ventures has been reinforced by the Government's policy of granting its partners "incentive crude." This idea was first mooted in the mid-1970s and under pressure from the companies it has steadily evolved into a formal and specific commitment. The current formula allocates 500 barrels a day of crude at the normal government selling price for every $1m of capital that a foreign company invests in a petrochemical plant. Smaller volumes of crude, sometimes as little as 250 b/d, are allocated for every $1m that companies invest in export refineries. The incentive contracts run for 15 years, with phase-in periods for four years during which smaller quantities of crude are sold.

It has been suggested by the "prediction industry" — and some of the companies themselves have admitted — that the incentive crude in itself would be sufficient to cause the companies to enter the Saudi projects even if they had no faith in their economies. The profits made on 150,000 b/d of crude —which is what a company committing $300m to build a $1bn ethylene plant would get — would compensate for the lack of profits on the petrochemicals.

The people who are now most worried by the prospect of Middle Eastern competition are the European producers. The European market faced problems of over-capacity before the economics of the industry were transformed by the second oil crisis.

This was partly why the prediction industry was so sceptical about the chances of the Middle Eastern projects being built. In the past three years the European industry's problems have become more serious still.

Already there have been calls by European producers for protection from Middle Eastern petrochemicals. If governments do not respond to these demands, or work out some quota systems which severely limit Arab sales, the closure of both old and new petrochemical plants in Europe seems inevitable.

Migrant workers

CONTINUED FROM PREVIOUS PAGE

instance, the Shah of Iran announced that his country would "become a huge factory for petrochemicals. If I export oil, I am paid perhaps $20 a barrel for it. But if I export petro-chemicals I get $120 a barrel . . . My programme is for Iran to produce twelve million tonnes of iron and steel a year." Even though Iran had some advantage over other oil producers because its large population meant that it was a cheap labour country, most of the Shah's grandiose schemes have now been abandoned.

The difficulties of oil states setting up manufacturing industry are obvious. Even in nominally socialist states like Libya and Iraq the number of foreign workers is still continuing to increase. Government officials some times argue that this is a transitory phenomenon and that their age pyramid ensures that in both countries a very young population will soon be entering the workforce. In Iraq, for instance, over 2.6m people are receiving full-time education compared with a labour force of only 3.1m. But the productivity of foreign labour compared with native workers will probably ensure that both countries will have a very large number of under-employed workers in desk-bound, non-productive occupations who will not gain any experience of manual labour.

Labour migration also makes it difficult for the non-oil states to establish their own industries. Competent managers and skilled workers are almost irresistibly attracted to the Gulf. When they stay at home it will only be for high wages and salaries. There is also a strong tendency for remittances to be invested in real estate or small trading concerns rather than industry at home. Capital-poor countries like Egypt, Sudan and North Yemen have great difficulty in creating a modern sector out of the profits of the export labour. There is also the ever present danger that the need for unskilled labour will go rapidly up and down dependent on the needs of the oil states.

By 1985 the labour forces of the six major labour importers, Saudi Arabia, Kuwait, Libya, United Arab Emirates, Bahrain and Qatar will increase to 5.2m according to a recent authoritative work on the subject. Only 41 per cent of this total will be nationals. A growing proportion of the foreign labour force is likely to come from Asia for political reasons. But while the existence of such a labour force makes it possible for oil producers to turn oil revenues into industrial complexes it also makes it unlikely that much of the industry in the Middle East will ever be viable.

ARAB INDUSTRIALISATION V

Mary Frings discusses GOIC strategy for expansion

Boost for aluminium output

THE ALUMINIUM industry is the "opportunity area" for the Gulf, in the view of the Gulf Organisation for Industrial Consulting (GOIC). The critical factors are capital and energy. Except in Bahrain, where minimal oil resources have never permitted the accumulation of financial surpluses, capital is available and might just as well be invested at home as left to be eroded by inflation abroad. While the cost of energy is becoming prohibitive for aluminium producers in the industrialised world, in the seven GOIC states gas is being flared at the oil-equivalent rate of one million barrels a day.

Last year, after consultations with Alcoa and Chase Econometrics, GOIC drew up a 15-year development strategy for aluminium which would more than triple existing smelter capacity to 1m tonnes a year, encourage the right mix of semi-fabricated products to expand the range of finished goods which could be manufactured for the domestic market, and move upstream into the refining of bauxite to give Gulf metal producers some control over the supply and cost of alumina.

GOIC based its studies on the experience of Aluminium Bahrain (Alba), on the production-plus-infrastructure concept of the Dubai Aluminium Company (Dubal) and on the cyclical characteristics of the international metal market which would dictate the timing of investments. It also took into consideration forecasts of regional demand for semis, including extrusions, rod, wire and flat products, which it considers could absorb about half the planned production of primary metal.

At present the region is estimated to be taking no more than 20-35 per cent of the combined output of the two smelters, and is increasingly attracting the attention of non-traditional suppliers whose home markets are depressed.

By 1995, demand for semi-fabricated products in the Middle East (including parts of India and Pakistan) is projected at 1.1m tonnes per year (tpy). The GOIC states alone are expected to account for 350,000 tpy, requiring some 420,000 tpy of primary metal. Taking a world-wide view over the same period, GOIC believes it has identified gaps in the market from 1984, which Gulf producers are favourably placed to fill.

It considers that the first new capacity—probably incremental to the existing smelters although a greenfields project is not ruled out—should be timed to come on stream in 1986. This should be followed by four more smelters at two-yearly intervals, each with associated power and water facilities for the national grid.

Major proposal

Downstream, the major proposal is for a 40,000 tpy rolling mill which has won the support of all but one of the seven states. Upstream, plans for securing the required 2m tpy of alumina (based on about twice the quantity of bauxite) have received a considerable fillip from the discovery of bauxite deposits near Buraidi in Saudi Arabia, but their potential is still being assessed. Current thinking is that 1m tpy of alumina should be produced in a Gulf refinery, and the remainder in a joint venture overseas. Private enterprise moves faster than governments, and the Al Ghurair group in Dubai has already signed protocol agreements for the establishment of an alumina plant in India.

One million tpy of primary metal represents three per cent of projected world production—a target which GOIC economic planners regard as cautious. Their view is not wholeheartedly shared by people in the industry, who remain unimpressed by long-range forecasts: there is a lurking suspicion that statisticians can always find the figures to make a project look attractive on paper, if enough powerful interests want that project to happen.

One sceptic conceded the sense of installing incremental capacity to bring production at Alba and Dubal to an annual rate of 500,000 tonnes but predicted that no more than one greenfields smelter would be built in the foreseeable future. It is not a good time to be talking new projects, and the psychological effect of the slump in metal prices makes even a cheap expansion seem expensive.

Seared by the experience of seeing the Gulf's first smelter through its early vicissitudes, Bahrain's Development Minister Yousuf Shirawi said in 1978: "It is no wonder that industries around the Gulf have met and are meeting great difficulties. The only two advantages — cheap energy and the availability of funds—are eroded by the severe climate and the high cost of labour based on low productivity. Plans were initiated either by bankers with little idea of engineering, or by engineering firms with little idea of marketing."

He could have placed in the balance the 20-30 per cent higher cost of plant and equipment installed in the Gulf, and the tariff barriers erected by the European Economic Community to protect their own primary producers against competition from the Third World. Today, despite the effects of recession, Mr Shirawi is more optimistic, in the knowledge that the few shareholders in Alba who had the faith and the cashflow to stand by their commitment have seen their seven-year losses wiped out by three years of profit. He regards the GOIC strategy as "ambitious but not far-fetched."

The drive to broaden the industrial base has always been strongest in Bahrain, where in the absence of major new finds oil resources will be the first to run out. The state is also the most heavily populated in the Gulf and must find productive employment for a rapidly increasing national labour force. Alba was brought on stream in 1971 at a cost of $240m. With 1,500 Bahrainis now on the payroll (77 per cent of its workforce) it can claim to be sustaining four per cent of the island's families.

A $120m expansion completed this year has boosted production capacity to 170,000 tpy, but consideration of a further expansion proposal, which would harness waste heat from the 400 MW power station to produce an extra 110,000 tpy of metal, plus 5m gallons a day of desalinated water, has been deferred until mid-1982.

Once Alba was a going concern, other Gulf governments began to show interest in smelters, but for a variety of reasons only Dubal is so far a going concern. The Saudis postponed their 250,000 tpy smelter in Jubail when they took a 20 per cent stake in Alba two years ago. Qatar had other priorities, with problems at its LNG plant, the development of its fertiliser project in joint-venture with Norsk Hydro, and the exploitation of its huge new gas field. Iraq's plans were shelved at the outbreak of war in September 1980. Dubail with a rated capacity of 135,000 tpy but with a 1982 production target of 140,000 tonnes, went on stream and poured its first metal 12 days later in November 1979.

The cost of the project was affected by severe inflation, but the company says more than half of the $1.4bn investment is in power and steam generators and evaporators. The complex is geared to the production of 25m gallons a day of water, roughly the consumption of Dubai City although current offtake is only 13m gallons a day, and power will be available for the grid through a 100 Mw tie-line link which will be operational next year. Dubal is effectively 100 per cent owned by the Government of Dubai, which is understood to have put some $700m of equity into the company including the paying-off by the Ruler of substantial loans. Further payments are pending on the $500m-worth of loans still outstanding, and moves are underway to put the company on a sounder financial base.

The smelter suffered a setback in February when a power failure caused a "potline freeze." The second line had to be abandoned to save the first and third, which at that stage was only partly commissioned; but all three potlines are now back in production, despite early limitations on the supply of energy due to the Dugas operation being commissioned at the same time as Dubal. The projected availability of "tail gas" from the liquefaction plant next year is put at 110 per cent of Dubal's requirement. But there are disadvantages in being downstream of a process plant, apart from the fact that Dugas draws its associated gas from the offshore Al Fatah, Rashid and South-west Rashid fields which are believed to have a limited life.

The installation of a pipeline from Abu Dhabi is therefore still a live issue, with formal ratification thought to be held up only by Sheikh Rashid's poor health.

The sole selling agent for Dubal metal, on a straight commission basis, is Gulf Resources, a separate company with offices in Houston, London and Dubai which in the words of a Dubal spokesman has "consistently out-performed the market." Selling in the present price-climate is an unprofitable exercise, but as a new company Dubal must maintain its cash flow and build a reputation as a reliable supplier. On the spot market, major customers are Japan and South East Asia, with slightly less than 15 per cent of production going to the region, including a number of small consumers.

Among regional semi-fabricators, the biggest is the State Enterprise for Aluminium Semi-Products (SEASP) at Nasirya in Iraq, which has units for rolling, extrusions, cable and foil. The annual throughput is about 32,000 tpy according to the mix. There are extrusion plants in Jordan, Syria and Kuwait, while further south the major extruders are Balexco in Bahrain (the only Government-owned venture in the field, and the first to go into operation), Gulf Extrusions Company (GEC) in Dubai and Aluminum Products Company (ALUPCO) in Saudi Arabia.

Most are entirely locally owned, but a few are joint ventures such as Thomas Bennett Gulf (PVT) Limited. This company was established in Dubai in 1978, and is owned 49 per cent by Alcan UK and 51 per cent by two local partners. It buys from Gulf Extrusions some 100 tpy of sections, made to exclusive designs using 95 of its own dies, and sells doors, windows and glass products to all Gulf states.

PETROCHEMICALS PRODUCTION

Projected figures for the Middle East and North Africa in £m†

Product	1981	1985	1990
PVC			
Production potential	240	375	600
Domestic consumption	480	640	1,150
(Net imports)	(240)	(265)	(550)
PP			
Production potential	0	220	350
Domestic consumption	110	285	550
(Net imports)	(110)	(65)	(200)
LDPE			
Production potential	285	1,125	2,500
Domestic consumption	725	1,060	1,700
Net exports	(430)	65	800
HDPE			
Production potential	0	530	850
Domestic consumption	240	330	600
Net exports	(240)	200	250

† Countries included here are Algeria, Egypt, Iraq, Iran; Kuwait, Libya, Nigeria, Qatar and Saudi Arabia; production is based on forecast capacities, assuming 65 per cent occupancy in the first year and 80 per cent thereafter; local demand is assumed to grow at 10 per cent a year, with polypropylene somewhat faster at 14 per cent a year. Source: ICI.

CAPACITY FOR BASIC PRODUCTS

Organisation of Arab Petroleum Exporting Countries (Oapec) estimated productive capacity for some basic products in 1977 and 1985. Refining capacity figures are in thousands of barrels per day; the rest of the products are in thousands of tonnes per year.

	Refining 1977	Refining 1985	Ethylene 1977	Ethylene 1985	Methanol 1977	Methanol 1985	Ammonia 1977	Ammonia 1985	Urea 1977	Urea 1985	Iron-Steel 1977	Iron-Steel 1985	Aluminium 1977	Aluminium 1985	Cement 1977	Cement 1985
Algeria	115	442	—	120	100	100	990	1,980	130	260	500	1,300	—	130	2,500	9,000
Bahrain	250	250	—	—	—	330	—	330	—	—	—	—	120	170	—	—
Egypt	285	410	—	—	—	185	570	1,400	900	1,390	1,740	2,700	100	170	3,800	9,500
Iraq	190	600	32	170	—	—	320	1,500	500	1,600	—	1,600	—	—	3,000	12,000
Kuwait	609	725	—	—	—	—	660	660	800	800	—	—	—	—	1,400	1,400
Libyan Arab Jamahiriya	78	358	—	350	—	330	230	1,650	—	2,300	—	1,300	—	110	2,500	7,000
Qatar	10	60	—	280	—	—	330	660	330	660	400	400	—	—	340	640
Saudi Arabia	703	2,000	—	2,060	—	1,250	220	720	400	900	—	850	—	—	1,500	9,800
Syria	100	220	—	—	—	—	—	330	—	350	—	—	—	—	1,500	6,000
UAE	15	135	—	—	—	—	—	330	—	500	—	1,000	—	135	950	1,950
TOTAL	2,355	5,200	32	2,980	100	2,195	3,430	9,560	3,060	8,760	2,640	9,150	220	715	17,490	57,290

Source: ENI, "The Interdependence Model."

ALUMINIUM PRODUCTION: COST COMPARISONS

Comparison of investment and operating costs per ton of aluminium at 1980 prices. Figures in US$

	U.S.	Canada	Australia	Brazil	Gulf
Alumina	429.00	429.00	399.75	399.75	448.50
Petroleum coke	58.50	58.50	62.40	72.15	64.00
Pitch	24.50	24.50	25.50	29.50	26.50
Electricity	411.80	210.60	241.40	252.00	101.40
Maintenance	50.00	54.00	52.00	69.00	87.50
Direct labour, general administration and other costs	185.00	170.00	173.00	173.00	190.00
Delivery	33.06	44.09	66.12	55.12	66.12
Total operating costs	1,191.86	990.69	1,020.17	1,052.52	983.96
Total cost per ton including capital recovery at					
5 per cent	1,393	1,208	1,229	1,329	1,245
10 per cent	1,486	1,308	1,325	1,457	1,366
and 15 per cent	1,592	1,422	1,435	1,603	1,503
Average market price per ton 1980	1,715	1,715	1,715	1,715	1,715
Electricity costs as % of total operating cost	34.5%	21.3%	23.7%	23.9%	10.3%

Source: GOIC.

ARAB INDUSTRIALISATION VI

Michael Field describes one sector that is expanding

Fertiliser plants pay off

THE GULF STATES and Saudi Arabia gained their first experience of the problems of industrialisation with fertiliser plants.

Since the beginning of oil production, which started on a significant scale in the Gulf in the late 1940s, there had been export refineries on the Gulf coast. These, however, were owned by the concessionaire oil companies and represented part of their integrated global operations. Nitrogenous fertiliser plants were the first hydrocarbon-based, capital intensive plants to be owned by the Gulf states themselves.

The early experience of the fertiliser producers was universally unhappy. Kuwait and Saudi Arabia both constructed fertiliser plants in the late 1960s. The Kuwait plant was built to produce urea and ammonium sulphate, together with a small amount of sulphuric acid. The Saudi plant, located near Dammam in the Eastern Province, was built to produce 1,100 tonnes a day of urea and 50 tonnes a day of sulphuric acid.

Safco's problems

The worst problems were encountered by the Saudi Arabian Fertiliser Company (Safco). During its first three years in production, 1970-72, it never produced more than 250 tonnes of urea a day. The plant was dogged by breakdowns. The most serious difficulties stemmed from the brackish water used in the plant's cooling system, which caused severe corrosion. This is now recognised as a standard potential hazard in all Arabian Peninsula process plants.

Other problems came from the depressed state of fertiliser prices during much of the 1970s. The fertiliser market is prone to big price fluctuations; urea which was selling at $335 a tonne in 1974, in 1976 was fetching only $110 a tonne.

To help solve its problems Safco entered a contract with Occidental Petroleum under which the American company undertook part of the operation of the plant and agreed to sell that part of the plant's output which was not needed for domestic consumption. The relationship between the two sides was not happy; Safco began litigation in 1976 and revoked Occidental's contract in 1977.

The Kuwaitis' problems were less severe. The Petrochemical Industries Company's plant at Shuaiba performed reasonably satisfactorily from the technical point of view; output in its early years seldom fell below 75 per cent of capacity. However, the plant suffered from the vagaries of the market. In 1976 the price of ammonium sulphate became so depressed that the company shut down part of its plant altogether. Despite the similar fluctuations in urea prices, in 1976 PIC completed an expansion of its urea production facilities. Capacity was raised above 3,000 tonnes a day, nearly three times the capacity of the Safco plant.

Whereas other countries at this time were involving foreign companies in their marketing operations, the Kuwaitis struck resolutely to a policy of managing their own sales.

The Qataris entered the fertiliser business rather later than Saudi Arabia and Kuwait. They began production with a 1,000 t/d urea plant in 1974 and hit technical problems similar to those experienced by Safco. The solution to these problems was handled by Norsk Hydro, which from the beginning had a 25 per cent interest in the project and a management contract. The Norwegian company also undertook the marketing of the plant's output. This has been managed by a Norsk Hydro subsidiary in Hong Kong which has sold mainly in the Far East, South Asia and East Africa.

Despite being partly buffered from the consequences of technical and market problems by their reliance on a foreign company, the Qataris made virtually no profits from their plant in its first four years of operation.

Partnerships

All the fertiliser producers say that they learnt a lot about industrial development strategy from the problems of their early plants. Their experience with Occidental had led the Saudis to adopt the policy of taking foreign companies as partners in new petrochemical, fertiliser and refinery projects.

The Kuwaitis tell much the same story. They have applied their policy of marketing without outside associates to the ouput of their nationally owned refinery, which came on stream at about the same time as their fertiliser plant, and to their production of natural gas liquids. They claim that as a result of their efforts in the 1970s, they now have a greater knowledge than their neighbours of the international markets for a whole range of hydrocarbon products.

The position of all the Gulf fertiliser plants in the world market has been made easier by the rise in the world price of feedstocks caused by the second oil price explosion of 1979-81. (See the petrochemicals article in this survey.) While the price of feedstocks paid by fertiliser producers in the industrialised countries has risen more or less in line with the price of oil, the Gulf producers have continued to be supplied with methane gas feedstock and fuel at cost.

According to a study conducted by the Gulf Organisation for Industrial Consulting during the early stages of the second oil crisis in 1979, the cost of producing fertilisers in the Gulf at that time had already dropped to 42 per cent of the U.S. cost. This rather optimistic calculation was based on the assumption that the Gulf producers were getting their feedstock for about 6 per cent of the price that U.S. producers were paying.

As with the Middle Eastern petrochemical industry, the improvement of the economic prospects of the Gulf fertiliser plants and the growing confidence of the Arabian governments has led to the launching of a number of new fertiliser projects.

Much of the Arab enthusiasm for new fertiliser plants has stemmed from the fact that they cost much less than petrochemical plants and produce a substance which does not require such sophisticated marketing as, for example, high density polyethylene or styrene. The most important disadvantage of urea production is the wide price fluctuations to which the fertiliser is prone. This, the Arabs feel is a problem with which they have learned to cope.

The Arab fertiliser producers hope that they will enjoy an advantage in the expanding Third World markets, and they belive that they should be able to undercut European and Far Eastern fertiliser prices. They will also be operating in a market which does not have the same large and apparently incurable surplus capacity that hangs over the petrochemicals market. The soul searching by all producers which has accompanied the Arabs' ventures into petrochemicals has been notably absent from their diversification into fertilisers.

Steel caters for the region

STEEL IS unique among the big industrial developments of the Gulf in being geared entirely to the domestic and regional markets.

The other new projects — petrochemicals, fertilisers, oil refineries — are intended to make use of surplus gas, which in the past has been wasted, to produce products which can be sold on the world markets and earn the oil states a supplement to their oil revenues. In the months immediately after the 1973-74 oil crisis it was thought that it might be possible to apply the economic logic of these industries to steel, and the Saudi Goverment began discussions on a range of large projects with several of the world's biggest steel companies.

It quickly emerged, however, that the availability of cheap gas would not outweigh the disadvantages of producing steel in a region so far away from the world's major steel consuming countries. Since that time locally manufactured steel has been seen by the states of the region as an import substitute.

In taking this view the Arabs are adopting a philosophy which is not greatly different from that of other Third World countries. The manufacture of steel in small units has been made economic during the last 15 years by a series of technological changes. These include the transformation of iron ore into pellets, a new metalisation technique in the direct reduction of pellets to sponge iron, and electric arc steelmaking. The last process involves the conversion of sponge iron, mixed with steel scrap, clinker and other materials such as ferro-manganese and ferro-silicon, to produce steel.

2m tonnes demand

Last year demand for steel in the Arabian Peninsula ran at rather more than 2m tonnes, of which 1.5m tonnes was consumed by Saudi Arabia. These are not large figures by the standards of major industrial countries, but they are quite impressive for countries with very small populations and virtually no steel consuming industry. The apparent anomaly is caused by the huge building boom experienced by the Arabian Peninsula and the prospect of construction activity continuing at a high level. Almost all of the steel demand of Saudi Arabia and the Gulf states is accounted for by reinforcing bars and rods for construction.

The first country to seize the opportunities presented by the regional market was Qatar. Immediately after the 1973-74 oil price rises it formed a joint company with Kobe Steel of Japan and Tokyo Boeki. In 1978 it brought on stream a gas-fired direct reduction steel mill on the industrial estate at Umm Said. The plant has been a notable success. In 1979, its first full year of operations, the plant produced 380,000 tonnes of steel bars, and in 1980 output was raised to 440,000 tonnes—a figure which was about 5 per cent above the designed capacity of the plant.

In 1980 the plant would have made a profit but for the low level of world steel prices and the fact that it had to pay $15m of interest on the euro-dollar loan which provided much of its original financing. This loan has now been repaid early by the Qatar Government and replaced by a state loan at a low rate of interest.

Only about 9 per cent of the production of the Qatar Steel Company (QASCO) is sold in Qatar. About 60 per cent of its output has been going to Saudi Arabia and most of the rest to the United Arab Emirates. In 1980 it supplied about 70 per cent of the UAE's steel requirements.

Qatar's example was followed in 1979 by Saudi Arabia, which signed an agreement with Khorf Stahl for the construction of a direct reduction mill to produce 800,000 tonnes a year of steel billets, some of which is to be made into steel rods and bars in an associated rolling mill in Jubail, the rest is to be sold to other rolling mills. The venture, in which Khorf Stahl has a 20 per cent stake, is due to bring the first furnace on stream next year. Meanwhile, 200 of the personnel who will operate the plant have been sent for part of their training at the QASCO plant in Qatar.

Bigger scale

On a much bigger scale is the new Arab Iron and Steel Company project in Bahrain. This is a multinational Arab venture owned by the Arab Mining Company (itself a multinationally-owned company based in Amman), the Kuwait Foreign Trading Contracting and Investment Company, the Kuwait Metal Pipe Company, and other investors, including private businessmen. The only Bahraini stake is held through the Government's General Organisation for Social Insurance.

As approved by the Bahrain Government in mid-1980 the project involves production of 4m tonnes a year of iron pellets to be sold to other steel mills. Part of this output it is assumed will go to Qatar and Saudi Arabia, but in the early stages of the plant's operation most will have to be exported to buyers outside the Gulf.

The AISCO shareholders believe that intelligent shipping arrangements and cheap fuel should enable them to compete with other pelletising plants around the Indian Ocean. In India and other parts of Asia at present there is 25m tonnes of pelletisation capacity shut down.

Contracts for preliminary site work were signed by AISCO in March this year, and a turnkey construction contract, worth some $200m, was awarded to Kobe Steel a few months later. Soon after the signature of this contract AISCO decided to undertake a study for a direct reduction steel mill, which would be located beside the pelletisation plant.

The success of QASCO has caused great new enthusiasm for steel-making in the Gulf. The Bahrain project is testimony to this fact. At a conference of Gulf steel industry executives and planners held in Doha, Qatar, early this summer, it was suggested that a further four steel plants should be built in the Gulf during the rest of the 1980s. The end products referred to were iron sheets, steel wire, various medium steel products, and iron bars.

Interestingly the ideas for new projects were accompanied by calls for an iron and steel common market in the Gulf and the imposition of tariffs on imports from outside the region. These calls were echoed at another steel conference in Doha on December 5 and 6.

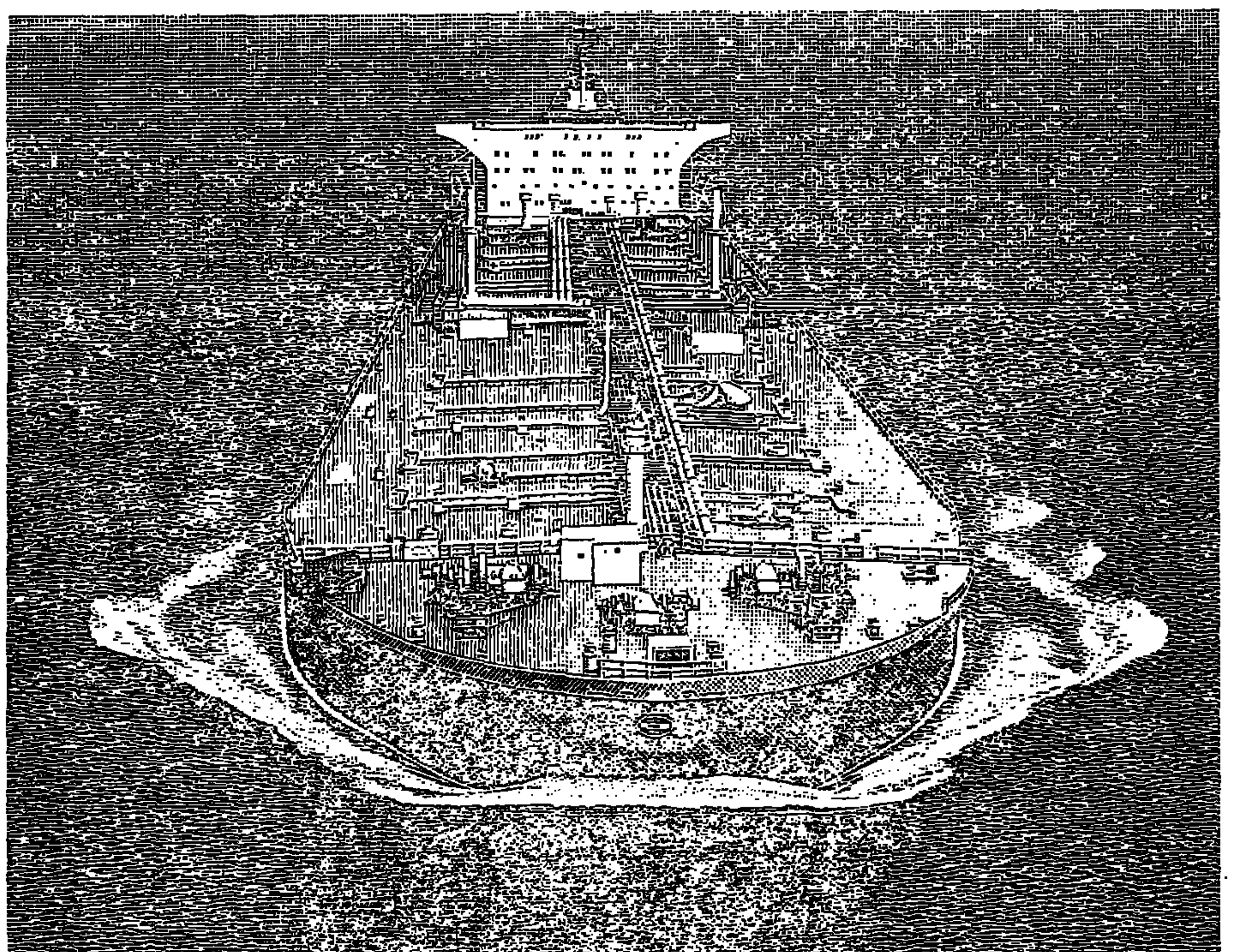
Given the Gulf Government's concern about inflation, and their ample budgets, they are more likely to subsidise their steel- industries than protect them with tariffs. As large importers of steel the Arabian Peninsula countries have greatly benefited from the global surplus of steel-making capacity and cut-throat competition among steelmakers. The governments' reluctance to impose tariffs may be increased by signs that closures of steel mills in industrialised countries are at last bringing the glut to an end.

Dr Ali Khalaf, the Director General of the Gulf Organisation for Industrial Consulting, has recently referred to the prospect of the region facing price rises and "extended deliveries."

Forecasts of the amount of steel that the Arabian Peninsula will be producing by 1990 vary enormously; the difficulty of making predictions is caused by the fact that most of the projects in the region are still at the ideas or planning stage. (This is no longer the case with fertiliser and petrochemical projects.)

A figure being widely quoted in 1981 for capacity at the end of the decade was 5-6m tonnes a year, which would be equivalent to about half of the Arab world's expected consumption at that time.

M.F.



How politics affect the motor industry – report by Ken Gooding

In a perfect world, the motor industry would employ just two key statistics before deciding whether or not a country could support its own car and truck business.

The first factor would be population. Few countries with a population of 10m could support domestic vehicle capacity, according to the conventional wisdom.

Then there is standard of living, as measured by per capita GNP. Anything below $5,000 a head would put a country out of the running.

If the territory passed the first two tests, the level of industrialisation would be examined by the simple method of measuring the energy it consumes.

And in a time of high-priced energy, the level of crude oil production would also show whether a country could develop a motor industry of its own.

Using these criteria we can see that among the Arab countries, Algeria, Egypt, Iraq, Morocco and Saudi Arabia have the potential to achieve full or partial vehicle manufacturing status.

A motor industry scheme would make even more sense if several countries united in some type of joint manufacturing project.

But the political obstacles are enormous. For example, it is not so many years ago that Egypt and Iraq were discussing how they might share a vehicle manufacturing venture.

And, while economies of scale really matter in the motor industry, politics probably matter more.

Vehicle assembly on a small—and usually uneconomic scale—only makes sense (a) if it is the only way a manufacturer can be represented in a particular market or, (b), if there is the prospect of the market being opened to full-built-up vehicles at some time in the future.

The Western and Japanese automotive groups also take the view that it is better to have some part of the restricted business available than to have nothing at all.

Very few of the vehicles assembled in the Arab countries have more than 50 per cent local content by any measure. Most of the parts, including the high-value ones for engines, gearboxes and, in the case of trucks, axles, are produced in the manufacturers' own factories then sent to the foreign-owned assembly plant.

Below are details regarding prospects for individual countries. But, as these reports show, there always seems to be some tempting project being considered by at least one of the Arab countries which the European, American or Japanese motor industries would dearly love to join. However, because of the powerful influence of politics, such tantalising schemes frequently come to nothing.

Algeria

ALGERIA has placed car assembly well down its list of industrial priorities but is pushing ahead with a scheme to double output of trucks by 1985.

The company which assembles trucks is La Societe Nationale de Mecanique en Algeria (Sonacome) which was formed by the amalgamation of the mechanical industries of the country in 1967, as part of the Algerian reconstruction programme.

Sonacome's plant at Rouiba near Algiers has a current annual capacity of 6,600 trucks of 5½ tons upwards and 500 buses and coaches.

The chassis are based on Berliet designs (Berliet is part of the Renault group) and the vehicles are powered by Deutz diesel engines.

The local content accounts for about 70 per cent of the ex-factory value of the vehicles.

At one time, Renault cars were also assembled in Algeria but this ended in the early 1970s.

Renault, Volkswagen and Fiat all had talks about local car assembly in 1977 and Fiat emerged as clear leader. The negotiations involved a $2.5bn, 100,000-a-year car assembly facility near the port of Oran, but the Algerian authorities then cooled towards the idea.

Saudi Arabia

THERE IS a high demand for commercial vehicles in Saudi Arabia, the largest oil exporting country. But the idea that, as part of a drive for industrial development, six truck plans should be set up, created considerable controversy.

An important point about commercial vehicle assembly in Saudi Arabia is that it would be labour-intensive, a condition which could only be met by means of imported labour.

Nevertheless, in 1977 the first and probably most significant, plant began trial assembly. This was the joint project between E. A. Juffali and Brothers and Daimler-Benz.

Known as the National Automobile Industry, the company is 74 per cent owned by Juffali and 26 per cent by D-B.

The plant came on stream in September, 1977 and in April, last year, the 10,000th Daimler-Benz truck to be assembled in Saudi Arabia came down the line. Some 5,888 Daimler-Benz trucks were sold in Saudi Arabia last year.

The second contender in the truck business is Hino, Japan's leading heavy truck producer. Hino is involved in Jamjoom Hino Motors. As with the Daimler-Benz project the Saudi Arabian partner—in this case Jamjoom Brothers—has the majority interest (67 per cent) and the remainder is shared between Hino and Toyo Menka Kaisha, a Japanese trading house.

In the initial stages, Jamjoom Hino has been producing around 1,200 trucks a year.

Kuwait

KUWAIT enjoys oil revenues far in excess of domestic requirements and sees overseas investment as a more realistic and profitable strategy than industrialisation.

So, although Kuwait has no vehicle assembly, it has considerable investment in companies involved in that business.

Kuwait bought 10 per cent of Volkswagen of Brazil in June, 1980, and is thought to have followed that purchase with the acquisition of around 6 per cent of VAG, the Volkswagen-Audi Group, in West Germany.

It has several other holdings in German industrial companies and among the bigger ones is 14 per cent of Daimler-Benz.

Egypt

THE CHANGE of Government in Egypt seems to have killed off an ambitious car assembly venture involving the Volkswagen companies in both West Germany and Brazil.

VW "Beetles," assembled in Egypt from kits sent from Brazil, should have been on the roads by the end of this year.

They would have been assembled by Arab American Motors (AAM), a joint venture between American Motors of the U.S. and the Arab Organisation for Industrialisation.

AAM was set up to assemble Jeeps and other four-wheel-drive vehicles for the domestic market and for export. But because Egypt's exports have been hit by the Arab boycott, AAM has found itself with spare capacity. So it was to have assembled 5,000 "Beetles" the first year, rising to 6,000 in the second, with an option to renew the agreement at the end of five years.

The deal would have given VW a chance to build up its market share while its own assembly plant was being built at Ameriya, near Alexandria.

Final agreement on this project was reached early this year after four years of negotiations. VW was to have a 40 per cent shareholding in a new joint venture company; a German investment aid company, Deutsche Entwicklungs Gesellschaft, 11 per cent; and the main Egyptian partner, the National Bank of Egypt, 20 to 25 per cent. Misr Insurance and other, smaller, partners were also to have been involved.

The plant—which would have been Egypt's first private sector car company—was due to start up in two years' time with an initial annual capacity of 20,000 vehicles, assembling the "Beetle," the Audi 80, and VW commercial vehicles.

But VW says that the new Government wanted to change the conditions under which it would operate in Egypt and those conditions would have made the project unviable.

However, it seems that Peugeot, the French group, is still interested in setting up a local car assembly operation, at first limited to 4,000 a year of the 504 estate.

And Iveco, the Fiat commercial vehicle subsidiary, is close to finalising negotiations with its Egyptian partner about a joint project to assemble heavy trucks and buses.

Iveco is linked with Nasco (the Nasr Automotive Manufacturing Company), the state-owned business

Iraq

IRAQ aims to start assembly of cars, lorries and tractors on a substantial scale, possibly as early as 1985. This would involve investment of about $5bn.

To this end a consulting contract was awarded in May this year to a West German consortium led by Weidleplan Consulting of Stuttgart.

According to Weidleplan, the project involves local manufacturing, not just assembly.

The scheme envisages production of a minimum of 120,000 cars a year with 25,000 trucks and 15,000 tractors.

Companies interested in the truck operations include Daimler-Benz, Scania, and Volvo. Lining up to bid for the car contract are Renault, Toyota, Mitsubishi and Fiat while Massey Ferguson is thought to be willing to take on the tractor business.

Iraq's domestic motor industry so far has been limited to a small number of assembly operations where vehicles are made under licence from companies such as Daimler-Benz, Scania and Renault (trucks) and Ikarus (buses).

The vehicle manufacturing project will be used as a catalyst to create technology-based industries in Iraq, or so the official thinking goes.

However, Iraq in the mid-1970s agreed with Volkswagen of Brazil (80 per cent owned by its namesake in West Germany) to proceed with the joint development of a car and commercial vehicle industry. This came to nothing.

Libya

LIBYA, like Kuwait, has invested considerable sums in the motor industry. Its 10 per cent shareholding in Fiat is well-known. But the fact that it has provided much of the cash for Turkey to develop a motor industry is not.

The Fiat connection has blossomed to the extent that the Italian group's commercial vehicle subsidiary, Iveco, has helped bring on stream Libya's first truck and bus plant.

As part of the arrangement, Iveco has agreed to provide assistance to Libya's infant automotive component industry by supplying manufacturing technology and training.

The new plant is owned by the Libyan Bus and Truck Company in which the Libyan Ministry of Heavy Industry has a 75 per cent shareholding while Iveco owns the rest. The two have put up 12m Libyan dinars ($39m) in capital.

The factory, about 25 km from Tripoli, has the capacity to produce 4,200 vehicles a year on a two-shift basis and it is expected that all the output will be absorbed by the domestic market.

When fully on stream it will employ 1,200. Iveco has provided eight managers, 12 instructors and 36 vehicle production specialists.

Morocco

MOROCCO has a well-established but relatively small vehicle assembly industry which could well develop strongly as demand for cars and trucks grows.

But the market is crowded and last year the eight vehicle assembly companies shared production of around 20,000 units between them.

The major assembler is Somaca which last year turned out 5,406 Fiat cars, 332 Opels, more than 7,000 Renaults and over 2,000 Talbots.

Its rivals include: Sodia, which assembles Jeeps under licence from American Motors—but only 30 of them last year—Aetco Lever, responsible for another four-wheel-drive vehicle, the Land Rover. Last year, 578 were assembled.

Rahali assembles Daf trucks (120 in 1980); Citroen Maroc produced 120 Citroen CXs last year; Auto-Hall made 475 Ford trucks, Saida was responsible for 218 Bedford and 318 Volvo trucks while Berliet-Maroc accounted for 1,244 Renault trucks.

Tunisia

IN TUNISIA the Societe Tunisienne d'Industrie Automobile (STIA) assembles vehicles carrying the names of nine different manufacturers. Output in 1979, however, was only around 9,500 units.

Peugeot took the lion's share with 960 of its 304 cars assembled by STIA and more than 5,000 of its 404 estate cars. Renault cars and light commercials (2,200) made up the bulk of most of the rest of the output.

But STIA also produced small Citroen commercial vehicles, Fiat, Magirus, Ford and Renault trucks and Fiat, Ford and Skoda buses.

Below, and on the following pages, correspondents examine the industrial prospects for individual Arab nations

Growth area is mineral-based

Jordan

RAMI G KHOURI

Jordan's industrialisation plans may be tiny in relation to its oil-fuelled neighbouring Arab economies, but they are ambitious to the point of audacity given Jordan's small resource and financial base.

Yet the country's planners, followed closely by the private sector, have entered the 1980s more convinced than ever that Jordan's industrial aspirations, within a mid-East context, will reach their peak in the next few years. Furthermore, facts on the ground—or in the ground, given the country's concentration on mineral-based industries—have tended to support those who have argued for an even faster push for heavy and medium industries.

For many years, until the early 1970s industry in Jordan consisted solely of the phosphate mining company, the oil refinery and the Portland Cement plant. Everything else was small-scale or workshop type operations.

The rapid increase in consumer purchasing power within Jordan and the demands of neighbouring Arab countries after the post-1973 oil price increases suddenly provided Jordan with two elements vital for industrial promotion.

These were sharply rising domestic and Middle Eastern demand (particularly for products concerned with the construction sector) and additional financial support from Arab oil producers to finance large-scale projects. A third vital element, internal political stability, combined with the other two to fuel an industrial boom that has seen the value of mining, manufacturing and construction contributions to gross domestic product increase six-fold between 1973 and 1980 from JD 36m to JD 218m (from $115m to $700m). This rate of increase is likely to rise even faster in the coming years as a series of large mineral-based industries come on stream, paying off the investments that have been made during the last five-year plan.

With Jordan's major infrastructural projects either completed or well on their way, the focus of economic planners has turned to industry and agriculture, the country's two productive sectors. The large mineral schemes that are completed include expansion of the Zerqa petroleum refinery, expansion of the phosphate mines at Al Hassa and Wadi Al Abyad and expansion of the cement plant at Fuheis.

Projects that will be completed within the coming two years include the $450m potash plant along the southeastern shore of the Dead Sea.

The $350m chemical fertiliser complex at Aqaba, with an allied $30m plant to produce aluminium fluoride; a $230m Portland Cement plant at Rashidiyeh, south-western Jordan; a $15m sheet plate glass glass plant at Maan, in the south; a $45m white cement plant north-east of Amman being built for the joint Jordanian-Syrian company for industry, an $18m expansion of the existing Arab pharmaceuticals manufacturing company factory at Salt, and a $30m timber processing complex at Aqaba.

The establishment of these relatively large industries is paralleled by equally brisk growth in small and medium-sized industries.

Perhaps one of the most surprising developments in the past three years has been the ability of Jordanian industries to secure almost all their financing requirements in Amman, in the form of bonds and syndicated loans. The exception to this remain the very large projects that require very large sums, which usually receive soft loans from Arab and international lending agencies along with some commercial rate loans from the indigenous capital market.

Drive to remedy ills of declining public sector

PRESIDENT Husni Mubarak of Egypt has been swift to acknowledge *publicly* that industry is not only a key economic factor whose structure must be broadly preserved, but also that it is riddled with problems. These are largely related to the public sector.

In the short term they are almost insurmountable, but it is encouraging that Mr Mubarak focused on this issue so soon, because his predecessor, Mr Anwar Sadat was bored by the details of economics beyond the obvious basics.

In his first policy speech at the beginning of November, Mr Mubarak, while professing that there was "no going back on the economic open door policy" added that it "should be productive in the sense that the projects which we shall accept . . . should be directed to produce the basic necessities for the toiling classes."

At the same time, he indentified among seven specific economic issues to be examined — with relevance to industry — "extravagant public and private spending;" and "the import policy and its effects on the resources of the country or national industry."

While endorsing *infitah*—the open door policy of economic liberalisation initiated by Mr Sadat in 1974 to encourage foreign investment and the local private sector—Mr Mubarak acknowledged the need "to boost and strengthen the public sector which is the mainstay of industrial production."

He also gave indications of Egypt's specific priorities. He said: "The projects we shall welcome in the next stage should be directed to the field of cheap housing and the production of food, the provision of low-priced clothing, medicine and furniture within the financial means of the masses, or they should be directed to producing export goods and thus contribute to augmenting our resources, improving the quality of our products and transferring high expertise to the Egyptian workers."

On the basis of official fact and figures, Egyptian industry would appear to be faring pretty well. Output is reckoned to have increased over the last few years at an average in real terms of over 10 per cent. In 1980 the public sector recorded a rate of 14 per cent and the private sector one of 25 per cent. Contribution to the Gross Domestic Product has risen at a powerful pace, too, so that today in a still largely agricultural society, it holds 14 per cent and employs 20 per cent of the whole workforce.

In 1981-82 industrial growth is expected to rise at 9.9 per cent with output reaching £E7.9bn, compared with £E7bn in the year before.

Underlying these figures, however, are chronic and disturbing weaknesses, which Mr Mubarak was brave enough to identify broadly but which will take many decades to reform.

The first of the problems stems from Egypt's recent history. Industrialisation began at the time of Mohammed Ali in the early 19th century, but in the 1950s and particularly in the 1960s a conscious policy of simultaneously industrialising and enlarging the public sector was adopted.

The scale of it exceeded the usual practice of a state taking responsibility for large-scale projects — such as the Soviet aided iron and steelworks at Helwan and the aluminium smelter at Naga' Hamadi, necessary for the country but somewhat less attractive to the private sector.

The latter was expected to undertake the smaller projects but was somewhat intimidated. After the encouragement given in recent years it now consists of some 350 companies, accounting for 60 per cent of all the industrial workforce and 70 per cent of its production.

The private sector owns 85 per cent of all industrial assets which total about £E20bn. The *public sector has* been largely cushioned against economic realities through subsidies, its unwieldly and unproductive workforce, and the requirements in the 60s and early 70s of the armed forces.

The problem is how to rectify the imbalance between public and private sectors and how to make the former more flexible and competitive.

One aspect of it is the lack of firm direction from the top: The General Organisation for Industrialisation (GOFI) whose *leadership* changes *less* frequently than the Minister of Industry, has a stronger hand in policy making than in its execution.

Egypt

ANTHONY McDERMOTT

It is a frequent criticism of GOFI that its bureaucracy has been so heavy and slow in scrutinising projects to the point *of deterring would-be investers*, both Egyptian and foreign from undertaking projects.

In addition, it is at odds with the General Authority for Investment and Free Zones (GAIFZ), which organises foreign investment.

One of the more perceptive analyses of Egypt's industrial woes came in a speech delivered earlier this year by Dr Adel Gazarin. He is particularly well placed to know them intimately, having been at the top of the state owned El Nasr Automotive Manufacturing Company (NASCO) for some 15 years.

Analysing the reasons for the decline of the public sector, he isolated the following points. First, the Government had injected its bureaucracy into public sector companies rather than allow the natural development of more streamlined organisation. Second, continuous intervention of the state in their operation's through supervisory committees "led to a paralysis in the dynamics of the administration."

Third, such a large labour load had been imposed that productivity was low and their costs high. Fourthly, companies had been often undercapitalised and deprived of foreign currency sufficient either for the import of essential goods or for investment. (According to one USAID official, there has been no new investment in existing plant since 1956). Finally, Egyptian industry has been denied modern technology.

Dr Gazarin went on to examine problems related to the decline of public sector industries. One of the most important concerns wages policy. Because of the introduction of the open door policy, there has developed a gross imbalance between private and public sector wages and facilities.

For example the public sector manager was limited to an annual income ceiling of £E5,000 where his counterpart in the private sector would earn that amount in a month.

As for pricing policies he made the point that while imports, wages and running expenses were increasing over the years, industrial companies were not allowed to increase their prices.

Now these problems have been aggravated by the unfair competition brought in by the "open door policy," which entitled the private sector to arrange benefits denied the public sector. Finally, Dr Gazarin was critical of the government changing its mind over the rules for joint ventures between public sector and foreign companies.

Regional co-operation aids Gulf's smallest and poorest state

More joint ventures on the way

FOUR MAJOR joint-venture industries, including the Arab Iron and Steel Company's $300m pelletising plant, are to be built during the next three or four years in Bahrain, the Gulf's smallest and poorest state. These ventures will be in addition to the already well-established Aluminium Bahrain and the Arab Ship Repair Yard.

Mr Yousuf Shirawi, Bahrain's Minister of Development, is not abashed at the suggestion that his country might appear to be the almost exclusive beneficiary of regional co-operation in the industrial sphere.

"We need these industries," he explains. "We are geared to this kind of development and, because we are small, we do it well—although there are signs of an inevitable and creeping bureaucracy.

"Secondly, as we are the only Gulf state with surplus manpower, even though 30 per cent of the labour force is foreign. The industries already established here — oil, aluminium, ship-repairing — are attracting Bahrainis, while most of the foreigners are short-term, in construction or in the skilled jobs in which people are not interested."

Employment for an increasingly educated population has been a matter of concern ever since the collapse of the pearling industry, the traditional mainstay of the economy which in the 1920s provided a livelihood for 20,000 people.

Between 3,000-4,000 young men and women now leave schools and universities every year. For financial reasons, economic diversification, meanwhile, had become imperative a decade ago as oil production dwindled.

Although the new industries will not be labour-intensive, they will provide a training-ground for industrial skills and career development opportunities for the second-generation high-fliers who find their progress in older companies too slow.

The Gulf Aluminium Rolling Mill Company (Garmco) is in the process of selecting a consultant to draw up specifications for the plant, which is unlikely to be in production before 1985; the Heavy Fuel Oil Processing Company, in which Kuwait and Saudi Arabia each have a 30 per cent stake, is also at an early stage, with a board just appointed and feasibility studies underway.

Work has started, however, on a site reclaimed from the sea for the $400m ammonia and methanol complex, to be built for the Gulf Petrochemical Industries Company (GPIC). This was conceived by Bahrain and Kuwait, but Saudi Arabia came in as an equal partner in May last year.

Consulting and basic engineering contracts have gone to King Wilkinson and Uhde GMBH: Van Oord (International) BV of the Netherlands is doing the dredging, but the major contracts are still pending.

Initially, GPIC was to have processed the methane-rich residue (tail gas) from the Banagas liquefaction plant, which went on stream in December 1979 to strip the propane, butane and naphtha from the associated gas which was previously wasted. But this would have given the petrochemicals project a limited life, since associated gas from the Bahrain field is declining at the rate of 5.5 per cent a year.

A start has also been made on reclaiming 1.2m square feet of land near the Asry dry dock for the Arab Iron and Steel Company (Aisco) plant, which will process 4m tonnes a year of iron ore into pellets for steel making. As a longer-range project, Aisco is also considering a direct reduction steel plant. A $207m turnkey construction contract for the pelletising plant was awarded last month to Kobe Steel of Japan, with subsidiary contracts to John Howard and Al Jazira Contracting Company.

Bahrain

MARY FRINGS

Support for this Government-private sector joint venture comes from both within and beyond the Gulf. The Jordan-based Arab Mining Company, which is owned by a number of Arab governments, is a 10 per cent shareholder, while others are the quasi-government Kuwait Metal Pipe Company, Kuwait Foreign Trading Contracting and Investment Company, and Gulf banks, investment companies and pension funds.

Alsco is incorporated in Bahrain as an offshore public shareholding company, and a public share offer brought in $48m (half paid up) of the $150m subscribed capital. The company will be one of the few major exporting industries on the island in which the Bahrain Government has no direct interest.

A report by the United Nations Industrial Development Organisation (Unido), on Bahrain says there does not seem to be any particular set of guidelines for government intervention "except a willingness to come in when private equity capital is reluctant to do so."

Unless the Government had put up the $10m to set up Balexco as a wholly-owned company in 1977, following the collapse of negotiations with Kaiser, it is doubtful whether the Gulf's first extrusion company would have begun in Bahrain, at that stage of the industry's development.

Built into the articles of association, however, is the option to offer shares for public subscription.

Balexco last year reached break-even point and was also making a modest profit, but its growth impetus has now been lost in the face of extreme market competition.

Plans to increase 1981 output to 4,500 tonnes, following an expansion in anodising capacity, have not materialised, and the company considers itself lucky to be maintaining last year's level of around 3,500 tonnes.

Because of its concern for the security of food supplies, the Government has a 54 per cent stake in the Flour Mill Company, which it set up in 1972 with the Kuwait Flour Mill Company (10 per cent) and public shareholders, to whom it pays a 10 to 15 per cent dividend. The mill processes 35,000 tpy of Australian wheat to supply flour to local bakeries at subsidised prices. The profit-making side of its business is a range of domestic products, from pizza flour to semolina, which it sells competively, both at home and in other Gulf states.

At Mina Sulman and North Sitra, industrial free zones have been set up offering land at concessional rents, services such as roads, power and water laid on, and exemption from customs dues.

The next wave of development seems to depend on Gulf Governments. But oil, which 50 years ago set Bahrain on the path of industrialisation, is still very much at the heart of the economy—not only in material terms, but also from the point of view of human resources.

Former oil company apprentices are to be found in top jobs in Government, banking, industry and trade, and more than one local contractor was once a Bapco truck driver.

Need to retain skilled labour

ALGERIA TODAY is in the middle of a major reappraisal of the priorities which have governed the country's economic development throughout most of the 1960s and 1970s. The exercise has assumed even greater importance since the death of President Boumedienne three years ago and the appointment of a new administration by his successor, Mr Chadli Benjedid.

The achievements of the previous plans are not inconsiderable. Production investment has increased by a yearly average of 15 per cent, gross domestic product by 7½ per cent and consumption of goods and services by 8½ per cent.

An industrial base has been constructed and transport facilities, including the highway across the Sahara and an efficient merchant fleet, considerably improved. Great efforts have been made to educate and train young Algerians but concern about the efficiency with which industry was being run was already being voiced before the death of Boumedienne.

Algeria

FRANCIS GHILES

Under previous plans the great emphasis laid upon heavy industry development, which includes the important hydrocarbons sector, has resulted in an unacceptably high level of external indebtedness. Contracted debt rose to about $22bn last year. At the same time industrial development has not resulted in a flow of products which the domestic market urgently needs. Bottlenecks and performance failures have been many.

Investment in industry has created many new jobs but it has highlighted the shortage of skilled labour to fill them, a situation made worse by the failure to attract back to the mother country the many highly-trained Algerians working in France.

The failure to put the same effort into agricultural development has resulted in a large rise in imported foodstuffs.

Finally the strong drift of population from the countryside to the towns has put a great strain on the country's infrastructure, in particular on housing and social needs. The human aspect of the current five-year development plan 1980-84 should not be underestimated, the dour austerity of the Boumedienne days could not have been maintained, except at the cost of a social or political explosion.

The difficulties in industrialising Algeria are aggravated by a bureaucracy which drives western businessmen to distraction and a breakdown in communication which allows key parts from abroad to lie around for weeks while awaiting customs clearance.

As Mr Chadli has tried to steer a more pragmatic course he has come up against powerful vested interests and political barons whose power base he cannot easily destroy even if he does remove some from the Government or the ruling politburo of the Front de Liberation Nationale.

To Mr Chadli's credit Algeria is a more open society today: spotting national ills from the daily papers is no longer akin to deducing the state of the Soviet Union from Pravda. Raising the living standards of the average Algerian is an essential prerequisite to improving the performance of industry.

Private industry, outside the hydrocarbons sector, thrives in Algeria and some ministers would like to allow it to play a greater role as they believe it would relieve the state from some of its responsibilities and induce better use of resources.

However, redefining the role of private industry is an ideological hornets' nest in a country dominated by an uncompromising anti-imperialist stance.

When judging the performance of state industries over the years some areas of waste are obvious. That said objective criteria with which to judge their performance are hard to come by, particularly as the primary object of many companies has not been to make a profit but to serve a complex series of social, economic and political functions. For instance, an essential part of Government strategy has been to establish industry in the interior of the country to prevent a concentration on the coastal region.

Companies responsible for setting up plants in these areas thus have to pay bigger salaries, higher transport costs and allow for greater delays in deliveries. Sonatrach, the state oil company, to take but one example, has often been obliged to build roads and bridges as the Ministry of Works moved too slowly. State companies are often obliged to carry out tasks which are vital but not their function. In more general terms they are an extension of the welfare state. Sonatrach, for instance, also spends a lot of money on sports and welfare.

Many delays

For all these reasons reducing waste, streamlining various operations and weeding out corruption is proving to be a Herculean task.

Equally complex problems have to be dealt with over foreign trade. Gas is the country's most important resource as Algeria has the fourth largest reserves of gas in the world. Exploitation of these huge reserves, located deep in the Sahara, has proved frustratingly slow.

Ten years ago Algeria opted to exploit the gas through sales of liquefied natural gas (LNG). Technical and contractual problems have dogged the liquefaction plants while political considerations, along with environmental and pricing problems, have delayed approval of the sales contracts.

There are two views on how to come to terms with these problems. The first is a pragmatic and technocratic approach more aligned to capitalism while the second is more doctrinaire, one which regards the social, economic and political value of a company's activities as part of an indivisible whole — the erection of a socialist state and must accordingly be judged against the broad context of national objectives.

Algeria under Boumedienne caried out the former, with some exceptions. Today those in favour of the second course are fighting hard.

TUNISIA

Textiles achieve strong exports

TUNISIA IS a country of modest means but one whose civil service and general standard of education are better than that of most Arab countries: these national characteristics are well reflected in the manner in which industry has taken root in the country since independence from France in 1956.

The quality of the country's civil service, not just in Tunis but also in the provinces is reflected at the intermediate and lower levels as well as in the upper echelons. The result is a greater integration of the different economic sectors although development has been concentrated far too much on the coast and in Tunis, leaving the interior to its own devices. There are signs, however, that the government is aware of the need of developing the hinterland.

The past decade has been marked by a liberal economic policy which has resulted in a very steady growth in industrial output. Real GDP increased by 7.3 per cent while investment amounted to over 25 per cent of GDP. This high level has been made possible because of the growing volume of foreign funds which are being invested in the country.

Overall $10bn was invested during the period of the 1977-81 economic plan. While investment in agriculture, services and infrastructure exceeded targets, capital formation in industry fell well short, essentially because of the postponement of the giant offshore Miskar gas scheme but also from delays in other projects.

The next plan's investment package is expected to be about $20bn with emphasis on the development in the tourist, textile and phosphate industries. They are, apart from oil which may well run out in the late 1980s, the best hard currency earners Tunisia has.

Tunisian industry today can be split into three categories: heavy, light and the sector tied to tourism.

The textile industry is currently going through a boom period with close to 500 companies now working in the field, 130 of which operate exclusively in the export market. A large number of European companies subcontract their work in Tunisia, often on an offshore basis where profits are concerned.

This concentration on textiles is now giving way to greater variety as mechanical and electrical industries are springing up along the coast: cars, radios and refrigerators are now made or assembled in Tunisia and French companies in particular—Peugeot and Renault—are active in this field. Building materials are another very active sector, helped by the rapid growth in tourism.

Tourism today attracts nearly 2m visitors from abroad and is a major prop for a traditionally weak balance of payments. It is a major employer, a point of no little importance in a country where the rate of unemployment is about 20 per cent, despite all the efforts to create new jobs.

Investment is scheduled to pick up dramatically during the next five years, especially in manufacturing industries.

FRANCIS GHILES

Iran war holds up ambitious projects

IRAQ REACTED to the outbreak of the war with Iran by speeding up its economic development. For over a year the Government in Baghdad has not faltered in awarding large numbers of contracts. In the first six months of this year $15bn was spent compared to $12.5bn for 1980 as a whole.

The motive behind this is mainly political. The Government of Saddam Hussein, the Iraqi President, wants to prove that it can fight a war and develop the country at the same time. Baghdad now looks like a vast building site and there has been a flood of foreign workers into the country. For the moment foreign exchange reserves, aid from other Arab oil producers and oil revenues from 800,000 barrels a day exports are sufficient to fund this development but some contractors are wondering where the money will come from by the middle of 1982 if the war continues.

The largest individual investments are still for infrastructural investments such as the $3bn expressway linking Baghdad to Basra and the Jordanian border, the $2bn Baghdad-Basra railway and the $1.5bn Mosul dam. But the 1981-85 five-year plan places greater emphasis on industrialisation Mr Tahir Tawfiq, the Industry and Minerals Minister, said earlier this year.

The strategy is based on "projects using local raw materials, the building of a developed technical base for the national economy and the provision of consumer and capital goods for the local market." The 1981 investment plan allocates $3.7bn for industrialisation but the peak expenditure for contracts now being signed will come in two or three years.

Iraq

PATRICK COCKBURN

The new five-year plan emphasises investment in petrochemicals, fertilisers, construction materials such as cement and bricks, iron and steel, the automobile industry and plastics. The base already established is small. Before the 1973-74 oil price increase there was little indigenous Iraqi manufacturing and what there was had very low productivity. The nationalisation laws of 1964 created upheaval. Between 1964 and 1968 there were eight ministers of industry and transport and six planning ministers. Development budgets were heavily underspent and much of the small-scale manufacturing industry that existed was employed in processing agricultural produce such as tobacco, beverages and foodstuffs. The post-1974 industrial development has tended to be lopsided and dogged by lack of skilled Iraqi workers and by poor planning.

Certain large industrial projects were started on the strength of Iraq's improved financial position in 1974-75. Mitsubishi built a fertiliser plant at Khor al Zubair, southwest of Basra, which was also the site of a petrochemical plant and an iron and steel plant. The latter, built by Creusot-Loire of France, has been much delayed. A phosphate fertiliser plant far out in Iraq's western desert at Al Qaim was also dogged by difficulties. The Belgian construction company Sybetra, faced a cash shortage and some observers consider that this whole project was misconceived.

In 1976-77, a more cautious Iraqi attitude towards expenditure led to a curtailment in the award of big new contracts. This seemed all the wiser because of the shortage of skilled Iraqi labour and the limited number of qualified Iraqi managers and bureaucrats. It is only over the past two years that the Government in Baghdad has decided to speed up the pace of industrialisation, and of economic development in general, to the point where Iraq resembles the Gulf in the heady days of 1974-1975.

The biggest expansion in the manufacturing sector is in the production of construction materials. Since 1979 a number of very large contracts for cement plants have been let, including five in the first half of this year. When these are completed in 1984 Iraq should be able to dispense with the 3m-4m tonnes of cement it is now importing. In addition to cement, the old brickworks which have hardly changed since Sumerian times, are being phased out and replaced with modern plant. West German companies have been particularly successful this year in winning the bulk of the orders for plant for construction materials production, partly displacing the Japanese who had previously been the most successful in this market.

A continuation of the war with Iran makes the domestic production of bulk goods like cement, fertilisers and steel all the more useful since all these high volume goods are currently being trucked into Iraq, mainly from Kuwait and Aqaba.

Most of the manufacturing industry is being established on the Mesopotanian plain between Baghdad and Basra.

The impact of the war on contractors is still continuing. When the fighting began in September 1980 much of the foreign labour force departed and many sites closed down, notably those run by the Japanese. Delivery of construction materials and equipment has also become more difficult and expensive. Appeals from the contractors to the Iraqi Government organisations for more money have met with little response but Japanese and Indian companies now believe that in some cases they will get an additional 15-20 per cent from the Iraqis on top of the pre-war contract price.

The Iraqi determination to ignore the war is bound to create problems for the future, particularly as there is no sign of the conflict ending. Nevertheless government officials still speak of establishing an automobile assembly plant costing $3bn at Samawa and the Gulf Organisation for Industrial Consulting (GOIC) decided this year to set up a 100,000-tonnes-a-year float glass factory. A pharmaceuticals industry is also planned.

Iraq's industrialisation is limited by the constraints of an economy which, outside the oil industry, is underdeveloped. It has the additional disadvantage of being carried out at a time when the country is at war. The moves to increase production of construction materials makes sense but the development of more ambitious projects, such as automobile assembly and pharmaceuticals production should be postponed until the war with Iran has ended and the outlook for oil exports is more certain.

Oil funds back drive to greater industrial self-sufficiency

Capital for right venture

IN PRINCIPLE, manufacturing should have little future in Saudi Arabia. The population is far too small to start with — no more than 5m people at the most in total, including at least 2m expatriates. They form a, generally, high-income, sophisticated but small market for consumer goods and durables.

What makes matters worse is that they are scattered across a huge land-mass which has only recently been opened up by modern communication links. There are three principal settlements — Jeddah, Riyadh and the Al-Khobar-Dammam-Dhahran conurbation, separated by hundreds of miles of barren desert. This makes supplying and servicing the marketplace a major logistical problem, even for local manufacturers.

The Saudi consumer is also far from homogenous. About one in four is a foreigner, some from Europe, most from the Far East. There is little standardisation of taste.

Saudi Arabia's big advantage is its capital surplus. There is no shortage of public and private money to invest. However, industrial entrepreneurship is thin on the ground, partly for historical and cultural reasons, partly because risks are lower and potential returns as attractive in real estate, trading and contracting.

Add to this a chronic shortage of indigenous labour of every kind willing and able to work in industry, high wages and comparatively high construction costs. Finally, there is the climate, creating special problems for perishable goods. In many respects, Saudi Arabia is one of the most unattractive sites for new manufacturing ventures.

Nevertheless, industrialisation is one of the cornerstones of the modernisation programme. The objective is to *achieve some degree of self-sufficiency* in most products.

Saudi planners have been frank about the reasons why so much effort is being put into developing domestic manufacturing capacity. First, it gives substance to the modernisation programme which might otherwise lead to the creation of a giant social welfare distribution system. The aim is to create a true nation possessing all the attributes of an advanced industrial country.

Industry will also offer alternative opportunities for investing the Kingdom's burgeoning public and private sector surpluses. The sums are considerable. By the end of April 1981, the government surplus for the previous 12 months alone was more than $32bn, largely because of the decision to produce oil in excess of domestic financial needs. Most of the surplus is placed abroad. More of it could be used in the domestic economy, when industries are in place.

This is linked to a further strand of official thinking. *Industrialisation is seen as a* means of involving the Saudi people in the domestic economy, and helping to deepen national consciousness. Industrial investment invariably involves a longer-term commitment than property speculation or trading and contracting. Getting more local money into local industries will increase Saudi interest in helping maintain the economic and political health of the country.

Industrialisation is also seen as a means of helping to distribute income. Manufacturing *industries involving* widely spread public shareholding will help spread profits away from foreign companies to local firms and through them to the Saudi people.

Once the commitment was made to industrialisation, the Government did not shrink from providing assistance to local entrepreneurs. The most

Saudi Arabia

EDDIE O'SULLIVAN

significant factor is a fast-growing, but stable economy in which inflation is controlled, demand is expanding at a double-digit rate and the exchange rate managed to minimise foreign exchange risks.

Direct benefits include access to low-cost, serviced land in the growing number of industrial estates across the country, subsidised power and water, and the right to approach the Saudi Industrial Development Fund (SIDF) for interest-free, long-term loans. Government departments are instructed to *discriminate in favour of local products*, and customs duties of up to 20 per cent can be applied to protect domestic manufacturers from foreign competition.

The response to these incentives has been better than expected. In the second plan period (1975-80), real growth in non-oil manufacturing averaged 15.4 per cent a year. "The *number of manufacturing companies* established during the second five-year plan was more than planned," says Saleh Toaimi, secretary general of the Riyadh Chamber of Commerce and Industry.

There are now more than 1,000 industrial units operating in the kingdom, most of them financed by the SIDF. Founded in 1974, the fund has been the key to the great success of non-hydrocarbon industrial development. Plans for the fiscal year 1981-82, call for a lending programme of about $500m. The third plan as a whole envisages SIDF loans totalling more than $2,000m.

The fund has been fairly aggressive in promoting its services to local investors and joint venture companies. The aim has been to help shape new manufacturing entities from the very beginning. The carrot for fiercely independent Saudi businessmen is loans of up to 15 years duration at minimal cost. SIDF services include assistance in preparing a feasibility study and support in the early years of operation.

Cement factories have been the biggest recipients of SIDF funds — about $120m worth by the middle of 1981. Other building material manufacturing ventures have also figured strongly so far. Not all of them have been successful. This has encouraged more caution at the fund, and a change in lending policy.

The commercial banks will be expected to play a bigger role in financing industries. They have tended to avoid long-term financial commitments, particularly in risky manufacturing ventures. *There is one* local bank specialising in medium-term lending — the Saudi Investment Banking Corporation (SIBC).

Official policy has been to *provide support to get things going*, but not coset. The rationale is to create industries capable of standing on their own feet in the world market. Western technology, management and investment has been welcomed. The Government itself has declined to participate in light industry.

The industrial programme is widely acknowledged as being highly effective. However, there continues to be one major deficiency. Saudi Arabia is chronically short of management talent. This is unlikely to be corrected in the foreseeable future, probably not for a generation.

Surveys in the FT on the Middle East

The FT's 1982 programme of special surveys on the Middle East will include the *following:*

Kuwait

This survey will look at the evolution of this unique and affluent city-state: its ruling family and the merchant community; the long tradition of consultation and the experiment with a limited form of parliamentary democracy. Main articles will examine Kuwait's foreign policy; internal politics; the economy; planning and development; oil and gas; petrochemicals; *state investment; the capital* market; commercial banking and the stock market.

Saudi Arabia

This survey will examine the diplomatic and political challenges to Saudi Arabia in proportion to its growing stature and wealth. The Kingdom has so far failed in its influence to bring about a new U.S. approach to a solution of the Palestinian problem or to win pan-Arab acceptance of its peace proposals.

At home, the Saudi Government is methodically proceeding with its plans for development and industriali*sation*, while giving maximum encouragement to the private sector. The survey will also examine the progress of all sectors of the economy.

Bahrain

Bahrain continues to enjoy security based on a close, harmonious relationship with neighbouring Arab states and, latterly, its membership of the Gulf Co-operation Council.

With a strong industrial base already established, Bahrain is to benefit further as the site for three heavy industrial joint ventures under pan-Arab ownership.

This survey will also examine Bahrain's flourishing off-shore banking units development as a service centre for the region.

IBK keen to encourage productive enterprises

OUTSIDE the hydrocarbons and basic petrochemical sectors industrialisation in Kuwait has been left to the state's vigorous merchant community which can be trusted to seek out profitable investment outlets.

The size of the state, with a population of 1.5m, hardly lends itself to economies of scale. The Gulf as a whole offers a much wider market which local industry has yet to exploit properly.

As it is, the steady increase in loans advanced by the Industrial Bank of Kuwait (IBK), admittedly on very *generous terms, is an indica*tion of the readiness of the state's entrepreneurs to put money into productive enterprises. On a per capita basis investment in industry is high despite the lack of clear-cut official strategy.

The Government wants industry to be viable, but for the most part, in line with the state's laissez-faire philosophy, it keeps a low profile, only exercising minimal controls through the Ministry of Commerce and Industry. It has always been uncertain how much diversification in *this* direction is desirable, particularly bearing in mind the state's dependence on expatriate labour and need to import more manpower for the implementation of any new plant.

A clearer indication of its thinking has recently been requested by the IBK, the main provider of finance, which will also take equity *in pro*jects. In a recent review of the development of the economy from 1969 to 1979 the Central Bank said that there had been no agreement on "the quality, volume, objects, means and future role of industrialisation"

There has been no diffidence, however, about the operations of IBK which was established in 1973 to appraise projects and investment opportunities, advance concessional loans, and also provide equity finance. This year its capital has been doubled to 20m Kuwaiti dinars (*$70m*). It has also received a second KD 100m credit line from the state to enable it to lengthen the maturity of loans. By the end of 1981 it will have invested KD 175m in projects with a total value of KD 375m.

Other support is given by the state apart from the IBK's concessionary finance. In particular, there are the industrial zones at Shuaiba and Mina Abdullah where services, cheap electricity and free brackish water are provided. Customs duties and tariffs are imposed to protect new industries. These may be lowered if some regional free trade area comes into being under the aegis of the Gulf Co-operation Council. But that, conversely, would offer a wider market.

For the most part manufacturing for the local market has concentrated on import substitution industries, in particular construction materials, wood products and furniture, textiles, *paper and printing*. Production of beverages and food processing are growth industries and encouraged by government

Kuwait

CAROLINE MONTAGU

concern for a measure of self-sufficiency. Though Kuwait's climate, soil and water *resources make agricultural* development difficult, vegetable production has vastly increased. One project aims at growing vegetables under conditions designed to lessen the damage of summer heat.

This year IBK has promoted the Gulf Glass Manufacturing Company which will produce 35,000 tons a year of glass con*tainers primarily for the soft* drinks market. With project cost of KD 10m and capital of KD 4.25m it plans production for 1984 with a volume sufficient for all Kuwait's needs and some spare export capacity. IBK has also been involved in a company planning to bottle local water from a spring at Al-Rawdatain in the north of Kuwait.

The Government's expected spending on infrastructure, housing, education and health should continue to stimulate the production of construction materials. The Kuwait waterfront scheme from Shuwaikh Port round to Salmiyah is one example. The National Housing Authority's plan to build 35,000 new units in the next five years for a population expected to reach 2.75m by 2000 is a very ambitious one. Infrastructure and utilities to service expanded townships at Sulaibiyya, Jahra, Fintas, among others, will also maintain demand for construction materials.

Three private sector chemicals companies have recently been set up. The Kuwait Chemical Manufacturing Company is looking into alkyd resins, unsaturated polyesters and PVA. The two other companies are planning lubricant oil recycling and the production of linear alkyl benzene. A joint company, Kuwait Petrochemical Products Company, owned by *the state Petrochemical Indus*tries Company (45 per cent), IBK (25 per cent), and two other private sector companies, Independent Petroleum Group and the Kuwait Melamine Company, are studying the possibilities of manufacturing intermediate chemicals—synthetic rubbers and ethylene and benzene derivatives.

As yet companies whose output is aimed at the regional market are not numerous. However, one export success story in 1981 was the Kuwait Insulating Material Manufacturing *Company which went into pro*duction at the end of last year. Output is running at 20 per cent above its target of annual capacity of 8,000 tons of glass wool insulating material. Owned by IBK, the Kuwait Foreign Trading, Contracting and Investment Company and two private companies with KD 2.7m capital, it exports *through Saudi Arabia, Iraq and* the Gulf.

The doyen of the export orientated companies is Kirby Building Systems, a part of the Alghanim group. It exports pre-engineered steel buildings in the Gulf, peninsula and up to Jordan and Syria. Handling over 50,000 tons of steel a year, it exports 85 per cent of the output of its *Kuwait-based* plant. Other regional exporters include, from time to time, Kuwait Metal Pipes Company. Set up 10 years ago with heavy government support, it more normally sells its output to the Government.

Labour-intensive projects sought

THE LAST few years have been difficult ones for the Moroccan economy. The state's finances have been badly hit by the increased cost of oil imports, the war in the Western Sahara and by weak phosphate prices.

Difficulties were compounded by the drought last winter, the worst of the century, and could well be made worse by the failure of the rains so far this year.

Thus, as the Moroccan economy moved last year through the third and last year of a well-enforced "austerity plan" it continued at a very sluggish level. This year has proved difficult as the Government was forced to cut subsidies on many staple foods thus triggering off serious riots in June in Casablanca.

There is little chance of substantial improvements as long as military expenditure continues to claim about 40 per cent of the $5.5bn consolidated national budget.

Nevertheless, there have been some encouraging developments, notably a rise to $340m

Morocco

FRANCIS GHILES

in industrial investment in 1980—the first for three years —by something like 60 per cent over the 1979 level.

Under the 1981-85 five-year development plan foreign investment is being sought for small and medium-sized industries in particular. The emphasis is on labour-intensive projects and economic decentralisation.

The 1974-78 five-year development plan devoted substantial funds to capital intensive projects and these projects severely drained financial re*sources that were less than* had been expected.

In the longer-term, such projects as the steel rolling mill at Nadoc and the phosphoric acid plants of the Office Cheri*fien des Phosphates are essen*tial to the country's development.

Whatever difficulties Morocco faces today, the kingdom has achieved much in the indus*trial field during the past 10* years and has some very large state corporations operating together with the large private corporations. Foremost among them are the Laghzaoui, Sebti, Gessous, Laerak, Benjelloun, Abakil and Ben Salah families which come either from the old capital of Fes or the Berber area around Agadir.

The major state corporation remains the Office Cherifien des Phosphates which exploits *and exports* phosphates, the country's major hard income earner. It has made great strides recently to develop new mines—in Meskala with the help of Soviet technology —and derivatives of phosphate rock such as phosphoric acid.

Morocco has considerable potential in this as in other mineral fields. The recent signing of contracts to develop the oil shale around Tarfaya in the south also holds out the promise of energy self-sufficiency in the not too distant future.

OCP is the biggest single producer and exporter of phosphate rock in the world. In a recent interview with the Middle East Economic Digest, Mr M'hamed Douiri, Moroccan Minister of Planning, said that the aim was to triple output at a rate of 5 per cent a year to 20m tons of rock.

Under a programme now being implemented capacity for processing it will be raised from the current 12 per cent to 30 per cent by 1985. A new mine is to be opened at Sidi Hajjaj.

Three new phosphoric acid and fertiliser plants are to be constructed in the course of the present plan.

The extraction of uranium from phosphates is another possibility which has attracted considerable interest in Europe and the U.S. The indications are that the authorities are in earnest when trying to cut the administrative red tape and ensure a more orderly development.

Fishing is of particular importance as the Atlantic seaboard *is among the richest fishing* grounds in the world and Morocco's food balance has now swung into the red.

Despite all these difficulties, Moroccan exports in certain sectors are flourishing. Paper products, leather goods and footwear are selling and exporting well, while textiles, cement, sugar and the chemical sector seem to be holding their own.

Other sectors have, however, been badly hit by the austerity of the past four years: they include building and construction materials, and the car assembly and spare parts sectors.

$2bn in aid

*The Kuwait Fund for Arab Eco*nomic Development, one of the most prominent Arab aid agencies, has provided $2bn for scientific, technological and development projects since 1961.

ENGINEERS IN BRITAIN AND GERMANY

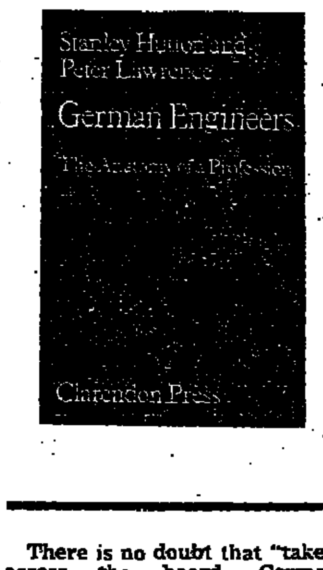
Wanted: a cultural revolution

By Hazel Duffy, Industrial Correspondent

"WE WERE very aware that the status of engineers in Germany is higher than in Britain: you only have to look at the proportion of engineers on the Boards of German manufacturing companies, the salaries that they are paid, and their independence from financial controllers in their companies."

The statement comes not from a slightly embittered middle-aged engineer in Britain who realises that his profession will never be deemed by society to be on a par with doctors, lawyers, etc. but from a student who graduated this summer from one of the new "enhanced" engineering courses at Cambridge, having just completed a tour of German and French industry as part of his final study year.

If the differences are so apparent to a 22 year old, how much more so must they be to a person who has been practising engineering for 20 years?



THE SCOPE for historical explanations for the lack of status for engineering in Britain is huge. The authors put it this way: "The simplest and most popular classification system, not just in Britain but in the English speaking world generally, is the idea of the two cultures, with the arts or humanities subjects on one side of a divide and the natural sciences on the other.

"This Anglo-Saxon thought pattern, which counterposes Arts and Science, is not really conducive to the dignifying of engineering. This is partly because engineering does not fit unequivocally under either of the 'two culture' headings, and partly because by labelling engineering 'applied science,' the usual way out of the impasse, one is assigning engineering to a subordinate and dependent status....

"German thinking on the perception and classification of branches of knowledge offers an interesting contrast. The two cultures distinction does not exist in Germany, and the idea is indeed difficult to formulate in German ... the Germans have a three-fold classification scheme: this means not only that they have a 'third culture' but also that they draw the boundaries in different places.

"The German term Wissenschaft covers all formal knowledge subjects, whether arts, science, or social science in our terms.... In the German scheme Kunst denotes art—not 'the arts' in the Anglo-Saxon sense, but the 'products' of the arts ... the third culture is Technik. Technik is for the Germans an independent domain, embracing knowledge and skills relevant to manufacturing. Thus it is an autonomous cultural rubric tending to dignify engineering, and certainly serving to differentiate it from natural science."

Trying to reverse a century-old British tradition

A book* published today sets out to discover some of the facts about Germany. It provides a timely text for Britain's new Engineering Council which starts work soon on trying to reverse the century-old British tradition that engineers are somehow inferior to those who read pure subjects like the natural sciences or classics.

The book itself is described by the authors—one a professor of engineering at Southampton University and the other a lecturer in management studies at Loughborough University—as being "complementary" to the Finniston report on the status of British engineers which gave birth to the Engineering Council. Like the Finniston report, it also cannot avoid the wider theme of the position of industry in the two countries. It is in this context that the book becomes more than just a useful addition to the ever growing output of historical analysis on "where Britain went wrong."

There is no doubt that "taken across the board, German engineers are simply better than their British counterparts," says Mr Peter Lawrence, one of the two authors. He and Mr Stanley Hutton have surveyed just over 1,000 German mechanical engineers and their survey provides the foundation for the book.

Mr Lawrence cites the following reasons for the German edge:

● They have a longer training (5.8 years average compared with four in Britain);

● They have a much more specialised knowledge of engineering (although Lawrence does not think this should lead to a reversal of the growing practice to include management training in the education of British engineers—they need "more engineering, more specialisation, and more management");

● They are stronger on design, which makes it easier to bring products successfully to the market;

● They have more knowledge of industry from their undergraduate days than most British engineering students.

The Finniston committee also recognised that Britain's engineers have fallen behind. Its solution was to promote as the "engine for change" a brand new Engineering Authority which would be set up by legislation and thus be responsible directly to Parliament.

The hope that any Government might be by legislating, might be able to shift a whole cultural tradition struck many as positively naive—although the committee never expected to see the results coming through for a generation, and many other more practical proposals were included.

In the event the Government has agreed to a sort of half-way body, the Engineering Council, which has been set up under Royal Charter. Sir Kenneth Corfield, who has been appointed chairman, is a man with plenty of industrial experience (he is chairman and chief executive of Standard Telephones and Cables) and is expected to do his utmost to prevent the Council becoming just another quango.

After writing his book Mr Lawrence believes the best place to start is in the schools. To begin with, he says, Britain needs much better careers counselling in schools, coupled with a greater understanding of industry (in Japan, for example, factory visits are a requisite part of all secondary school children's curriculum).

There does seem now to be a growing awareness among school children about engineering careers, partly because of efforts by the engineering institutions and Government, but also because graduates in less "job-oriented" subjects are having increasing problems in getting jobs.

The number of people taking engineering courses is not the main problem, however. The need is to get more bright students into engineering. A British survey in the early 1970s found that students going into engineering, along with business studies and economics, were in the bottom quarter of A-level grades. The "enhanced" courses, such as at Cambridge

A boost not easy when industry is so depressed

and several other universities, have demonstrated that if the course is stimulating, they have no difficulty in attracting the brightest students. But there are still not enough of these courses.

Nor is it easy to give engineering a boost when British industry is so depressed. Small, but significant, changes are possible, however. Even the word "engineering" needs to be watched. Why, for example, is the Advanced Passenger Train usually described as having "engineering problems," whereas the launch of a space satellite, in the U.S. is described as "one of the marvels of science."

Adding the word "engineering" to the title of the Science Research Council, as was done recently, will not herald a cultural change in favour of engineering and industry. But it is a start.

* German Engineers. The Anatomy of a Profession. Stanley Hutton and Peter Lawrence. Clarendon Press. £15.

WHERE THE DIFFERENCE SHOWS

Five key differences between British and German engineers as identified by the authors:

1. German engineers are more middle class than their British counterparts. (The German survey was done fairly recently, but the comparative data for Britain is less up-to-date. The authors do not think that any changes which have occurred have been enough to invalidate the comparisons.) The German engineer says Mr Lawrence "is more likely to have a well-educated father, and mother, and marry a well-educated person than the British engineer".

2. German engineers earn more. Independent surveys carried out in 1976 in the two countries showed that German mechanical engineers earned more than twice their British counterparts. (The cost of living was higher in Germany, but it by no means accounted for all the difference.)

3—There is also some evidence that German engineers are also better paid than their British colleagues when their salaries are compared with those in other middle-class occupations. Mr Michael Fores, senior economic adviser to the Department of Industry at the time that the survey on German engineers was commissioned, suggested as far back as 1972 that a German engineer is more highly paid than a German university professor or a civil servant. This was not the case in Britain.

4 — German engineers change jobs much less often than their British counterparts. On all-age samples, German engineers had an average of 1.9 jobs against the British 2.7, while 36 per cent of the German engineers at the time of the survey were still in their first job compared with only 16 per cent of the British. The authors interpret this as reflecting the greater contentment and satisfaction of the German engineers. But differences of career style and expectations may also be involved.

5—German engineers in industry also appear to be better paid than their colleagues in the public sector. But in Britain all species of public-sector employment appear to be better remunerated than industry, adding to the perceived higher status of engineers and industry in Germany.

Lombard

Gambling on the futures market

By David Lascelles in New York

MANY PEOPLE must have read about the recent launch of Eurodollar interest rate futures with about as much curiosity as they would news of a new Chinese grammar. Do not fear, I am not about to try and extol the virtues of these new-fangled wonders, which seem to be the fashion these days. Rather the opposite. I want to complain that the whole interest rate futures business is getting out of hand.

All a layman need know about financial futures, the genus to which Eurodollar interest-rate futures belong, is that they give people a way to protect themselves against changes in the value of financial assets, like currency and bonds. By paying a relatively small amount of money, a banker or businessman can greatly reduce the risk that his currency and bonds will be wiped out by changes in interest rates or exchange rate parities. Some people call it insurance, but it is more like hedging because if you own bonds you take a position in the market that will bring you a profit if the value of your bonds goes down. In effect you reserve a place for yourself on the other side of the market—but you only buy the ticket to that place, not the goods themselves, which is why hedging can be done cheaply. But like all hedging its also a bit of a gamble: if you position yourself badly you could lose a bundle.

The point, however, is that skilful use of financial futures greatly reduces the risk of having an exposed position in the financial markets, which is something very new and appealing. This encourages more people to go into the market place which, in turn, adds to the markets' depth and liquidity, and everybody benefits.

So popular has this new sport become that exchanges are falling over themselves to get in on it. London included. The U.S., where it all began, offers futures in several currencies, bonds, mortgages, treasury bills, certificates of deposit and now, eurodollar deposits. Together, they give anyone in the financial business a chance to hedge almost every conceivable form of financial asset.

The trouble is the people who dream up these new ideas do not seem to know when to stop. The next thing the financial futures wizards are brewing up is a stock index future which will give shareholders a way to protect themselves against the Stock Market going down. After that there may be a consumer price index future to protect us against inflation (no short traders there, I predict). As if that were not enough, there is even a proposal to trade in options to buy financial futures: in other words people will buy or sell a piece of paper which entitles the owner to buy a futures contract which itself conveys the right to buy a financial asset at an agreed price several months down the road. If you can work that one out, a fortune clearly awaits you on the exchange floor.

The last thing I want to do is suggest that hedging is wrong. But I begin to wonder where this great market system of ours is heading if we steadily anaesthetise risk in this way. What is the point of investing in the Stock Market at all if you immediately buy a futures contract that will compensate you if the market goes down? Why should governments toil to combat inflation if the population is happily hedged against the next rise in the Consumer Price Index? These are somewhat ingenuous questions because reality is a little more complicated than that. But it is a worrying sign of the times that the fastest-growing markets should be those that insulate the world against risk. This is specially ironic in America where both Wall Street and business have hailed one of the aims of Reaganomics: the encouragement of more risk-taking.

In some instances, hedging is too noble a word to describe these novelties. The U.S. authorities were right to hesitate about the new Eurodollar futures which have little to distinguish them from gambling: you place a bet that interest rates will go a particular way—if you are right you collect your winnings (in cash) if not you lose your bet. The proposed stock index future will also pay out in cash, which means it will only differ in name from the Stock Market betting service offered by a firm in London.

Letters to the Editor

Complications in resistance to steel price rises

From the Director, National Association of Drop Forgers and Stampers

Sir, — Mr Doran, purchasing director of Lancer Boss (December 8), raises many of the problems which both direct and indirect customers of the steel-producing industry are facing at the present time. Members of this association purchase steel billet and bar for forging from British Steel Corporation and the private sector, and they supply forgings to a whole range of engineering industries, including all the major automotive companies. Whereas on previous occasions steel price increases have been passed on to customers without undue problems or prolonged negotiations, we are now facing a completely different situation. Less than half our total business has been agreed at new prices with customers following the steel price increases which took place in October and November. Some of the forging industry's customers, who are themselves direct steel buyers, have agreed to pay an increase on their direct steel purchases, but refused any increase to component suppliers using steel. This can only further weaken and erode the position of component suppliers in the engineering industry, and ultimately drive more of them out of business.

We should be delighted simply to refuse to pay the expected further steel price increase early in 1982, but what would our customers say if steel producers then refuse to supply us, and we could not make their forgings?

It is really no answer for components purchasers such as Mr Doran to say that he will be stoutly resisting price increases from his component suppliers, unless he is prepared to give practical support to his components supplier in his steel purchasing, and to run the risk that his components may be unavailable if he is not prepared to pay any increases.

It is asking a lot of a small drop forging company, doing its best to produce a quality product to the customer's satisfaction, to take on the whole might of the BSC, in collusion with all other EEC steel producers and with the encouragement of Commissioner Davignon, who together have brought about one of the most powerful industrial cartels in recent history. Now is the time for steel component purchasers to give real understanding and support to their suppliers, rather than blanket refusals to talk about the problem. They will not be very happy at the end of the day if their domestic component suppliers have been driven out of business, nor will the steel producers be very happy if their present manoeuvres lead to the extinguishment of some of their principal customers.

The steel producers, the components manufacturers and the components purchasers must really all work together on this, and not simply seek to pass their immediate problems up or down the line.

D. A. T. Powis.
Grove Hill House,
245, Grove Lane,
Handsworth, Birmingham

Getting high in the City

From Mr E. Ward

Sir,—Lombard's reference to "closed doors" (December 10) reminds me that confidence can be affected by the smallest incidents. Visiting an officer of a large financial institution after several years, I was escorted from reception by a bright and pleasant girl, who, as we entered the lift, pressed a button high in the register.

"My," I said, "he has gone up in the world," knowing that in many corporations, seniority brings altitude. "High enough to jump off," she immediately replied. Was my friend in trouble? Or the bank?

E. Peter Ward.
Trio, Carlton Road,
South Godstone, Surrey.

Eurobond market pioneer

From the Chairman, Association of International Bond Dealers

Sir,—The Eurobond market this week lost one of its early pioneers, Mr Andre Coussement, in a motor accident between Brussels and Luxembourg. Since 1963, Mr Coussement was a leading light as well as an innovator in this fast growing market. In the early days, Luxembourg was the centre because of stamp duty problems in London, and Mr Coussement was largely responsible for its present sound footings from all the work he did at that time.

In 1964 I remember flying bonds to Kredietbank, of which he was managing director, in Luxembourg, only to find our plane encircled by local police armed with sten guns. Thanks to Mr Coussement we were able to dispel their concern, while although acting as a banker he successfully arranged radio communications between the various mediums of transport to ensure the safe delivery of these bonds.

He had a very distinguished banking career and remained, until his early untimely death, a charming good-natured person with the best sense of humour. He will be greatly missed by all of us who have worked with him and enjoyed his company, and on behalf of the whole European capital market community may I use your columns to send our great sympathy to his family.

Rupert Hambro,
Hambros Bank,
41, Bishopsgate, EC2.

Sponsorship of literature

From the Editor, Orbis.

Sir,—I read with considerable interest your survey "Sponsorship of the Arts" (Dec. 2), but was not in the least surprised to find writing given only the briefest of mentions, and poetry no mention at all.

In the last few years, several of the best literary magazines in the country have died for lack of support. Those that remain are permanently short of cash, unable to pay contributors, and usually run at a personal loss by their editor/publishers. Of all the arts in this country, none is so poorly supported as poetry.

Even the Arts Council gives a pittance to literature compared with the grants given to music or theatre. I must, however, acknowledge generous support during 1981 from West Midlands Arts. It seems strange that literary magazines are expected to pay their own way, while the need for annual subsidies to orchestras and theatre companies goes unquestioned.

It is ironic that the amount of money needed to finance one operatic production would keep a magazine going for a dozen years in comparative luxury! It is an even greater irony that the benefit gained by the sponsor would be many times greater; magazines reach a relatively large and high-quality audience, especially through their library circulation, and the repetitive mention of a sponsor's name over many years would have a much greater effect than a once-and-for-all inclusion in a programme.

I hope therefore that the growth in sponsorship to which you refer will at last be extended to include literature; lower costs and higher returns could make it a very good bet.

Mike Shields.
199 The Long Shoot,
Nuneaton,
Warwicks.

Proof of the pudding is in the eating

From Mr D. Parry.

Sir,—On December 8 I read with interest the article "A new financial strategy" by Professor Meade and colleagues until I came to the sentence: "If the increase in world interest rates was expected only to be temporary it might be possible to maintain the exchange rate without any rise in interest rates, through the use of foreign exchange reserves."

Apart from begging the questions as to how long "temporary" might be (two months? two years?) and how the mechanism would be set up for the authorities to agree that an increase was only going to be temporary, this statement shows an amazingly touching faith in the ability of Governments to manipulate exchange rates. If there is one lesson which the events of the last 35 years should have taught all economists (however learned) and all politicians (however naive) it is that attempts to stem the effects of market forces on exchange rates over anything but the shortest of short terms are doomed to failure.

If Professor Meade's policy had been adopted over the last two years on the grounds that the "excessively high" interest rates which have generally prevailed in this country were only a temporary phenomenon, our foreign exchange reserves would by now have been exhausted. Where would our exchange rate have been? Arguably below $1. We would thus have beggared ourselves nationally, to no avail. Welcome as such a low exchange rate might be to inefficient manufacturers for its export advantages, the consequence for the rest of us would undoubtedly have been sharply increased inflation.

"Regulators" and "intervention" have been tried and proved not to work. Unpleasant though its short term effects may be for all of us, Mrs Thatcher's steadfast insistence on monetary virtue as an essential weapon in the fight against the all-consuming evil of inflation has not yet been proved inferior to the alternatives.

D. J. Parry,
Fortfield Chambers,
Sidmouth, Devon.

UK COMPANY NEWS

A. Russell ahead at mid-term

FIRST-HALF pre-tax profits of Alexander Russell improved from £704,000 to £855,000 and the net interim dividend is being raised from an adjusted 0.45p to 0.54p—last year's final was equal to 0.8p.

Turnover for the six months to September 30 1981 rose to £9.9m (£9.1m). Tax took £103,000 (£139,000) and after minority debits of £35,000 (45,000) the attributable balance emerged at £717,000 (£520,000).

The group is engaged in distribution of fuel and building supplies, quarrying and coal recovery.

Bardon Hill up 8.2% mid-year

ON REDUCED turnover of £9.76m against £10.09m, Bardon Hill Group boosted pre-tax profits 8.2 per cent in the six months to September 30 1981, from £1.01m to £1.09m.

The interim dividend of this "close" company, involved in quarrying and civil engineering, is being raised from 2.4p to 2.5p net per 50p share. Last year's total payment was 7.25p when the taxable surplus reached £2.16m.

Mr J. Gregory Tom, the chairman, describes trading in the first quarter as disappointing but adds: "Increased activity in the last three months, together with a stringent control of costs, contributed towards a reasonably satisfactory result."

He is unable to make a "sensible forecast" for the remainder of the year.

Tax took £451,000 (£485,000) leaving £643,000 (£526,000) available for distribution. Earnings per share are given as 10.52p (8.62p).

SPAIN

December 16	Price %	+ or −
Banco Bilbao	331	
Banco Central	322	−4
Banco Exterior	303	
Banco Hispano	325	
Banco Ind. Cat.	115	
Banco Santander	347	−3
Banco Urquijo	210	−2
Banco Vizcaya	346	−2
Banco Zaragoza	210	
Dragados	123	−5.5
Espanola Zinc	60	
Fecsa	63.5	−0.5
Gal. Preciados	40	−1
Hidrola	76.2	−0.8
Iberduero	56.5	−1
Petroleos	90	+3
Petroliber	104	+1
Sogefisa	40	
Telefonica	71	−1
Union Elect.	71	−1.5

Marley bounces back in second half

AFTER PLUNGING by more than 50 per cent to £5.06m at the midway stage, compared with £10.38m, taxable profits of Marley bounced back strongly in the second six months, and for the year to October 31 1981 finished marginally ahead at £15.1m, against £15.03m.

Turnover of this building products manufacturer improved from £339.12m to £363.45m for the 12 months but trading profits emerged much the same at £26.37m (£23.64m).

It is pointed out that the substantial reorganisations carried out last year in the UK together with a systematic programme of cost reductions enabled the group's UK operations to increase trading profits from £4m in the first half to £10.6m in the second six months—a considerable improvement over the £4.07m for the same period a year ago.

The results for the year were achieved despite a decrease in volume while demand for group products, although better than in the earlier part of the year, was still restricted and "will remain so until interest rates come down further and the economy recovers."

HIGHLIGHTS

Lex looks at the money markets yesterday before moving on to the company news of the day. Marley has produced a good second half with profits from UK operations for the full year offsetting heavy trading losses in the U.S. The column then moves on to look at the rights issue from Rea Brothers and then considers the latest position at Doxford. Finally Lex rounds up on the current major bid positions. On the inside pages the latest figures from insurance broker Stenhouse come in for comment as does the lower profits from motor trader T. Cowie. Food retailing group Lennons launched a £2.7m rights issue along with its half-time profits yesterday.

During the second half further UK rationalisation took place, particularly in transport, distribution and merchanting businesses, and this will give rise to additional benefits in the future, the directors say.

The pre-tax surplus was struck after interest of £12.86m (£11.97m) and included a share of profits of associates well down at £1.59m (£3.36m).

Tax took £7.99m (£5.26m), leaving the net profit lower at £7.11m, compared with £9.77m. Minority debits were higher at £830,000 (£624,000) and after extraordinary losses of £529,000 (£4.08m) the attributable balance came through at £5.76m (£5.07m).

Although stated earnings per 25p share were 1.5p down at 3p a same-again final dividend of 1.25p maintains the net total at 2.25p.

Current cost accounting reduces the pre-tax figure to £7.09m (£5.73m) and on the same basis there was a loss per share of 0.6p (0.1p earnings).

The directors point out that overseas results (trading profits were higher at £11.75m, against £11.3m) were affected by pre-tax losses of £3.8m (including £1.4m of interest payable in the U.S.) in respect of Ingrid, the group's U.S. subsidiary.

The directors state: "Based on internal management accounts, this subsidiary appeared to be trading close to break-even in the first half of the year; subsequently, however, it became apparent that losses were being suffered which were not being properly accounted for.

"Accordingly, the management of the subsidiary was changed and a new chief executive was appointed on July 1 1981; in addition, Price Waterhouse were appointed auditors."

The directors add that as a result of investigations it was discovered that "unsatisfactory trading practices had led to serious losses."

Other overseas subsidiaries performed satisfactorily.

The reduction in associates' profits stemmed largely from French and U.S. roofing operations. Although market share increased demand in both these countries was depressed.

See Lex

Cowie rallies in second half

AFTER first-half losses of £195,000, compared with profits of £652,000, T. Cowie swung back into the black in the second half with pre-tax figures of £139,000 against £599,000. Pre-tax figures for the year to September 30 1981 were well down, however, plunging from £1.25m to £334,000. The final dividend is cut from 2.2p to 0.8p for a much lower total of 1.6p, down from 3p.

Turnover of this motor vehicle dealer and credit finance company climbed from £69.81m to £91.19m.

The motor division contributed £299,000 to the group profits and the finance division's share was £483,000. Losses of £253,000 were incurred by the travel division, and the agricultural division also suffered losses totalling £195,000.

The pre-tax figure was struck after interest charges down from £2.01m to £1.93m. There was a tax charge of £156,000 compared with a credit of £308,000, leaving a net loss of £52,000 (£1.56m profit), after extraordinary debits this time of £230,000.

Extraordinary items comprise the net loss of group reorganisation and rationalisation. There was a loss per 5p share of 0.1p (8.5p earnings). On a CCA basis, pre-tax losses were £490,000.

● **comment**

Eighteen months on, Cowie's takeover of the Ewer companies has come to look almost as ill-advised as it was acrimonious. Recession has inevitably reduced the profitability of Cowie's original motor dealerships, although they seem to have preserved rather wider margins than are common in the trade. Burrell's, the Bedford dealer which was one of Ewer's attractions quickly went sour and was closed. The unwanted agricultural equipment business has also run deeper into loss, necessitating various cuts and closures. And although Cowie was quick to withdraw from the British Coachways cut-price travel promotion, Grey Green Coaches still lost £¼m in the year. The only element of progress was in the hire-purchase and leasing venture; but its advance could not make good all the losses suffered elsewhere. There must be some hope that the year's reorganisation will come through to profit in 1982, but at the moment Cowie is 100 per cent geared and the dividend freshly cut. At 28p the shares yield 8.4 per cent.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding div.	Total for year	Total last year
E. Austin	int.	0.43	Feb 10	0.43	—	1.31
Bardon Hill	int.	2.5	Jan 7	2.4	—	7.25
Bluemel Bros.		Nil	—	1.65	Nil	3.3
T. Cowie		0.8	Feb 25	2.2	1.6	3
Elson and Robbins		0.1	Feb 10	3.49	0.1	5
Equity Consort Inv.	int.	3.15	Jan 29	2.98	—	9.28
Hampton Gold	int.	0.75	Feb 8	0.75	—	2.5
Jacksons B'rne End	int.	2	Feb 4	2	—	5
Kennedy Smale	int.	2.5	April 3	2.1	—	4.38
Wm. Leech		3.3	Feb 26	3.3	6.6	6.6
Lennons	int.	0.85	—	0.75	—	2.4
Marley		1.25	April 2	1.25	2.25	2.25
Radiant Metal	int.	1	Jan 25	1	—	3
A. Russell	int.	0.54	Jan 29	0.45*	—	1.25*
Stenhouse Holdings		3.28	April 15	2.83	5.1	4.65

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Not less than 9.45p forecast.

Stenhouse improves by 12.8%

PRE-TAX profits of Stenhouse Holdings show a 12.8 per cent increase from £7.74m to £8.73m for the year to September 30 1981 and the net dividend total is being lifted from 4.65p to 5.1p with a final payment of 3.28p. Earnings per share advanced from 10.17p to 11.27p.

Reed Stenhouse, the international insurance and reinsurance broking group in which Stenhouse Holdings has a 53.69 per cent stake, lifted its pre-tax profits from £13.27m to £15m. These results benefited from exchange rate movements during the 12 months, whereas these had a significant adverse effect on the previous year.

Mr Herbert Houghton, chairman, considers the insurance broking result to be satisfactory in view of the state of the world economy and conditions prevailing in the insurance industry. He says that these factors, combined with additional programmed development expenditure, will affect 1982 results.

An increased loss is expected for the first quarter but it is anticipated that, if exchange rates remain at present levels, insurance broking profits for the current year will comfortably exceed those now reported.

Profits of the Lloyd's underwriting companies acquired by Stenhouse Holdings at the end of June were as anticipated at that time. The purchase of these companies and their amalgamation with the group's existing Lloyd's underwriting agency companies has greatly expanded and broadened the group's presence at Lloyd's.

Profit of the combined companies for the period July 1 to September 30 1981 was £336,000. But Mr Houghton says that this should not be taken as normal as, due to the accounting date of the newly acquired companies being changed from January 31 to September 30, 12 months' profit commission was received in the eight-month accounting period and a proportionate part of this was allocated as post acquisition profits for the period from July 1 to September 30.

● **comment**

Without generating any excitement, Stenhouse has done rather better than most market estimates. This is only partly a matter of favourable exchange rates; at the average rates prevailing in 1980, the Reed-Stenhouse profits for this year would have translated at about £14.5m, marking an advance of almost 10 per cent. The improvement on the dividend/interest account, since the broking expense ratio has worsened slightly. In the present climate, Stenhouse's broking performance is probably quite creditable, as costs have not been easy to control while premiums in many classes have softened further. This is particularly true of the UK, where some rates on renewals are said to be as much as 50 per cent below those obtained in December 1980. Considerable effort has again gone into development of the U.S. market without yet breaking into profit. If only because there may be quite a lot to come out of further improvements in average dollar rates (both U.S. and Canadian) this could be the year when Stenhouse begins earning in the U.S. The shares yield a well-covered 5 per cent at 95p, where the fully-taxed historic p/e is 8.4.

Kennedy Smale buoyant

A SUBSTANTIAL increase from £501,360 to £711,009 in pre-tax profits is reported by Kennedy Smale for the half-year to September 30 1981. Sales of this engineer with interests in control equipment and textile machinery, advanced from £1.82m to £2.35m.

The net interim dividend is raised from 2.1p to 2.5p—last year's total was 4.375p from pre-tax profits of £941,202 (£700,064).

The directors say that profits for the year to March 31 1982 should also show an increase.

Tax for the half-year took £306,000 compared with £260,656.

South Crofty shareholder in re-listing move

South Crofty shareholders Mr Christopher Whitmey, a management consultant, is planning a legal application to the Court with a view to "requiring the company to meet the requirements of the Stock Exchange to get a re-listing of the shares."

The listing of South Crofty, together with Milbury — both Saint Piran subsidiaries — were suspended after legal control of Saint Piran passed to Gasco Investments, the master company of Mr Jim Raper, a former Saint Piran chairman.

Mr Whitmey is also seeking a declaration from the Court that "all or some of the allotments and issues in September 1977 of a total of 13m shares in South Crofty to Saint Piran Services and Saint Piran were invalid and be struck off the register."

In addition he is seeking leave to bring an action on behalf of South Crofty "to recover the net sum of £1.5m, or thereabouts, plus damages."

IN BRIEF

RELIABLE PROPERTIES—Final dividend 1.25p making 2.5p (same) for year ended June 30 1981. Profit after tax £247,903 (£250,590).

FAIRDALE TEXTILES—Turnover for six months ended August 1 1981 £3.5m (£2.8m). Pre-tax loss £58,836 (£65,186 profit). Tax £30,621 credit (£33,896 debit). Loss after tax £28,265 (£31,290 profit). Earnings per share nil (0.48p).

DUPLE INTERNATIONAL (coachbuilding, plastics and engineering)—Results for year to August 31, 1981, reported November 20. Group shareholders' funds £9.1m (£9.12m). Net current assets £3.85m (£4.53m). Fixed assets £5.66m (£5.48m). Capital expenditure £0.60m (£2.12m). Working capital decreased £2.03m (£0.17m increase). Grovewood Securities holds 29.5 per cent of equity. Meeting, Connaught Rooms, WC, January 8, noon.

FULCRUM INVESTMENT TRUST (split capital investment trust)—Results for year to October 31, 1981, reported December 1. Capital reserves £218,753 (£344,857): shareholders' funds £1.13m (£1.25m): bank balances £1,329 (£23,927): debtors £67,673 (£29,672): current liabilities £6,336 (£103,241). Meeting: Newcastle upon Tyne, January 7, at 2.30 pm.

WYNDHAM ENGINEERING—Turnover for half-year to September 30 1981 £142,000 (£237,000). Pre-tax profits £17,600 (£29,000), tax £7,000 (£11,600). The board says prospects for the second half will depend on some improvement in the industrial climate.

EQUITY CONSORT INVESTMENT TRUST — Interim dividend 3.15p (2.975p) net for six months ended October 31, 1981. Revenue after tax £245,894 (£223,647). Tax £124,548 (£114,478). NAV per ordinary 230p (224p), deferred ordinary 240p (243p). Board says that subject to there being no unforeseen developments before the company's year end, it expects to be able to recommend a net final ordinary dividend of not less than 6.3p, making a total 9.45p (9.275p), and a net annual dividend on the deferred shares of not less than 10.5p per share (10.16p).

THE TRING HALL USM INDEX

116.3 (+0.3)

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January Refined $43.00

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Ace Belmont picks up well in second half

PRE-TAX PROFITS of Ace Belmont International more than doubled in the year to August 31, 1981, from £611,000 to £1.39m, although still well short of previous levels. Turnover of this caravan manufacturer was down from £34.05m to £32.21m.

At the interim stage the company reported profits down from £750,000 to £451,000 with turnover static at £16.2m (£16.12m).

The pre-tax figure was struck after interest charges considerably lower at £123,000 compared with £381,000. Tax took £105,000 (£126,000 credit) and after extraordinary debits of £239,000 (£254,000), attributable profits emerged at £1.04m (£483,000). Stated earnings per £1 share climbed from 25.2p to 51.1p.

Ace Belmont International is a "close" company and apart from manufacturing caravans its other interests include property development, engineering and plastics.

YEARLINGS TOTAL £7.7M

Yearling bonds totalling £7.7m at 16⅜ per cent redeemable on December 22 1982 have been issued this week by the following local authorities:

Bury (Metropolitan Borough of) £0.25m; Rhondda BC £1m; Harlborough DC £0.45m; Lambeth (London Borough of) £0.5m; North Hertfordshire DC £0.5m; Salford (City of) £0.5m; Wansbeck DC £0.25m; Wellingborough DC £0.25m; Newark DC £0.5m; Redditch DC £0.5m; Tameside Metropolitan BC £1m; Portsmouth (City of) £1m; Sunderland (Borough of) £1m.

LONDON TRADED OPTIONS

Dec. 17 — Total Contracts —. Calls —. Puts —.

Option	Ex'rcise price	Jan. Closing offer	Jan. Vol.	April Closing offer	April Vol.	July Closing offer	July Vol.	Equity close
BP (c)	300	26	—	36	11	48	—	330p
BP (c)	320	13	5	25	10	36	—	
BP (c)	330	7	10	18	—	28	—	
BP (p)	330	12	5	—	—	—	—	
BP (p)	330	—	—	25	10	38	—	
CU (c)	120	16	25	21	5	26	—	135p
CU (c)	130	11	—	16	1	19	—	
CU (c)	140	4	—	10	15	15	—	
CU (c)	160	2	—	5	3	8	—	
Cons. Gld (c)	460	52	—	65	—	80	—	504p
Ctlds. (c)	60	16½	5	20	7	21	—	75p
Ctlds. (c)	70	7	17	11	1	13	—	
Ctlds. (c)	80	2½	5	5	2	7½	—	
GEC (c)	750	63	12	84	—	110	—	801p
GEC (c)	800	23	80	48	39	74	—	
GEC (c)	850	7	—	21	24	47	—	
GEC (p)	750	10	3	20	3	33	—	
GEC (p)	800	22	15	35	1	45	—	
Gr'd Met. (c)	160	21	9	29	10	34	—	178p
Gr'd Met. (c)	180	8	1	14	—	22	—	
Gr'd Met. (c)	200	3	—	8	—	14	—	
ICI (c)	280	12	2	26	—	35	—	286p
ICI (c)	300	3	10	16	—	22	—	
ICI (p)	300	24	—	32	—	25	1	
Mks. & Sp. (c)	110	18	17	22	—	25	1	126p
Mks. & Sp. (c)	120	9	—	16½	—	20	—	
Shell (c)	360	62	25	65	1	72	—	410p
Shell (p)	390	7	1	16	30	22	—	

Option	Ex'rcise price	Feb. Closing offer	Feb. Vol.	May Closing offer	May Vol.	Aug. Closing offer	Aug. Vol.	Equity close
Barclays (c)	420	32	5	40	—	55	—	433p
Imperial (c)	70	6½	29	7½	46	11	—	71p
Imperial (c)	80	2½	—	3½	55	6	53	
Imperial (p)	70	4½	—	6	50	6	—	
Lasmo (c)	500	17	—	32	1	42	—	439p
Lasmo (c)	550	12	—	17	—	—	—	
Lasmo (p)	500	13	—	12	—	—	—	
Lonrho (c)	90	4	—	4	—	—	—	70p
P&O (c)	100	29	170	32	—	—	—	125p
P&O (c)	110	20	12	26	—	—	—	
P&O (c)	130	16	44	19	—	24	—	
P&O (c)	130	10	51	13	15	17	—	
P&O (c)	140	6	45	7	10	13	—	
Racal (c)	390	50	1	63	—	77	—	433p
Racal (c)	420	32	1	27	—	61	—	
Racal (p)	390	13	4	20	—	27	—	
Racal (p)	420	23	4	32	—	—	—	
Racal (p)	460	50	1	53	—	—	—	
Vaal Rfs. (c)	60	10½	10	11½	—	13½	—	86p
Vaal Rfs. (c)	80	1	5	2½	—	—	—	

C=Call P=Put

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

1980-81 High	Low	Company	Price	Change	Gross Div. (p)	Yield %	Fully Actual taxed P/E
117	100	ABI Hldgs. 10pc CULS	117	—	10.0	8.5	—	—
76	38	Airsprung	68	—	4.7	7.1	10.5	14.5
52	21	Armitage and Rhodes	43	—	4.3	10.0	3.6	8.1
200	92½	Bardon Hill	195	—	9.7	5.0	8.5	11.5
104	88	Deborah Services	88	—	5.5	6.3	4.4	8.3
126	88	Frank Horsell	123	—	6.4	5.2	11.1	26.7
110	39	Frederick Parker	65	—	1.7	2.6	28.3	—
110	46	George Blair	48	—	—	—	—	—
102	93	IPC	100	—	7.3	7.3	7.2	10.9
113	89	Jackson Group	97	—	7.0	7.2	3.1	6.9
130	103	James Burrough	114	—	8.7	7.6	8.3	10.5
334	244	Robert Jenkins	263	—	31.3	11.9	3.7	9.3
59	50	Scruttons "A"	54	—	5.3	9.8	8.3	7.7
224	167	Torday and Carlisle	167	—	10.7	6.4	5.4	9.9
23	18	Twinlock Ord.	13	—	—	—	—	—
80	68	Twinlock 15pc ULS	73	—	15.0	20.5	—	—
56	32	Unilock Holdings	32	—	3.0	9.4	5.7	9.7
103	77	Walter Alexander	77	—	6.4	8.3	5.1	9.0
263	189	W. S. Yeates	212	—	13.1	6.2	4.0	8.2

Lennons Group to raise £2.7m

A ONE-FOR-FIVE rights issue to raise about £2.7m has been proposed by Lennons Group, food and wine retailer, which yesterday reported that profits continued to move upwards in the first half. For the six months to October 3 1981 the pre-tax figure rose from £1.03m to £1.26m and the chairman Mr Dennis Lennon has expressed his confidence in the future.

Mr Lennon says that economic uncertainties make it difficult to forecast the outcome of the second half, as much will depend on the important Christmas period. "However, I am well pleased with the current level of activity from both divisions of the group and face the future with confidence," he adds.

The interim dividend has been raised from 0.75p to 0.85p. The new shares do not rank for the interim, but do rank for the final, which is forecast at 1.8p (1.65p) making an increased total of 2.65p. Last year a total of 2.4p was paid from pre-tax profits of £2.13m on sales of £89.9m.

Earnings per share emerged higher at 3.52p compared with 2.88p.

Sales in the first half rose from £45.2m to £47.28m including VAT. Mr Lennon reports that both trade divisions produced record results with wines and spirits increasing profits by 43 per cent to £450,321, and the food division by 12 per cent to £805,811.

During the last two years group capital expenditure has exceeded £5m in total. The increase in the equity base from the rights issue will help with longer term financial plans, particularly a development in the town centre of Mold, Clwyd, and the proposed redevelopment at Garston district shopping centre. Lennons will continue to purchase, where appropriate, freeholds of existing outlets to avoid substantial rent increases.

Interest charged this time came to £107,000, against £95,000. Tax took £118,000 compared with £102,000. Below the line came a credit of £65,000 (nil) for extraordinary items and a charge for depreciation at £453,000 (£392,000).

The rights issue is underwritten by Singer and Friedlander, and the brokers are L. Messel and Co.

● comment

Lennons is feeling hot breath on its neck. Operating primarily in the north and Midlands, Lennons' relatively small shops are easy prey for the big boys, like Sainsbury, which are muscling into its territories. Lennons is now expanding into larger sites. The rights money will wipe out Lennons' borrowings and allow it to put £4m into the two medium-sized shopping complexes without strain, which should further enable it to keep up with looming competition. In the meantime the group's drinks division continues to do well; a handsome 43 per cent jump in trading profits is thanks to better wine sales. The food and drinks divisions could be equal in size before long; this is a nice match as food generates the cash which wine and spirit stocks absorb. The group should comfortably reach £2.4m for the year which means the shares, down 2p to 52p, have a prospective, full-taxed ex-rights p/e of just over 14. This seems a bit high but a prospective yield of 7.6 per cent and net assets per share of 48p following a property revaluation provide some support.

Tex Abrasives steady after six months

An increase of £15,832 to £145,066 in pre-tax profits is reported by Tex Abrasives, manufacturer of industrial coated abrasive products, for the half-year to September 30 1981. Turnover was down slightly from £2.42m to £2.39m.

The pre-tax figure was struck after depreciation up from £46,714 to £50,816. Tax for the half took £46,189 compared with £64,000. The interim dividend is unchanged at 0.75p—last year's total was 3.25p from pre-tax profits of £278,467 (£379,756).

E. Austin in loss at interim stage

On turnover little changed at £2.81m against £2.74m, E. Austin and Sons swung round from a profit of £68,000 to a pre-tax loss of £52,000 for the six months to September 30 1981.

The net interim dividend is held at 0.425p per 25p share but the directors state that it is too early to say whether the final payment will be maintained. Last year's total was 1.3125p.

There was no tax charge for the first half, compared with £35,000 for the corresponding period. The company has interests in materials handling and warehousing, cleaning materials and oil.

Radiant Metal declines halfway

The upturn in market conditions mentioned in the chairman's last statement, has not yet materialised for the Radiant Metal Finishing Company. Taxable profits slipped from £108,531 to £74,884 for the first six months to August 31 1981 on lower turnover of £385,094, against £422,153 previously.

The interim dividend has been held at 1p. Last year's total of 3p was paid from pre-tax profits of £188,194, on turnover of £817,112.

Tax was lower at £38,940 compared with £56,436.

A-R Television reaches £3.05m

TAXABLE PROFITS of A-R Television, formerly Rediffusion Television, advanced from £2.3m to £3.05m for the six months ended September 30 1981 on turnover well ahead at £24.77m, compared with £17.69m.

The directors say the rise in earnings was due to an improvement in profits by associate Thames Television (A-R holds just over 50 per cent of the issued share capital) mainly as a result of an increase in advertising revenue—share of associate's profits jumped from £406,347 to £1.25m.

However, the improvement was partly offset by a reduction in interest receivable (down from £2.42m to £1.81m) following the comparatively low level of interest rates which prevailed for much of the period. The interim dividend is again 15p per share.

A-R Television's ultimate holding company is British Electric Traction.

WINTERBOTTOM

The net asset value of the Winterbotom Energy Trust, at the close of business on December 11 last was 82.5p after prior charges at par, and 85.4p at market value.

Erratic year puts Leech lower

IT HAS not been an easy year for the house-building industry, says Mr J. R. Adamson, chairman of William Leech, the Newcastle-upon-Tyne housebuilding and development company. For a short time demand did pick up, but it was not sufficient to produce a dramatic improvement in profits, which were down from £2.07m to £1.88m at the pre-tax level in the year to August 31 1981.

Turnover was ahead at £50.29m compared with £50.08m. The final dividend is unchanged at 3.3p for a same-again total of 6.6p.

Mr Adamson says the increased demand for new houses from January to May was not sustained as the continued effect of high interest rates affected the confidence of new home buyers.

He points out that though at one stage in the year some sites were operating a three-day week, the company has been able to reverse the trends of the first six months. The company is involved with several local authorities to promote low cost home ownership in inner urban areas.

The year's pre-tax figure was struck after interest charges up from £3.18m to £3.77m and profits of associates, £103,000 (£70,000). Tax took £813,000 compared with £570,000, leaving net profits at £1.07m (£1.5m).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims — Associated Communications, British Steam Specialities, Distillers, Doranakande Rubber Estates, G. M. Firth, Geevor Tin Mines, Paterson Jenks, Plysu, Sylhone, Trustees Corporation, Unigate, Vaux Breweries.

Finals—AE, English China Clays, Arthur Lee, Nottingham Brick, Redman Heenan International, Sidlaw, Whessoe.

FUTURE DATES

Interims—	
Caledonian Associated Cinemas	Jan 12
Forminster	Dec 22
Hanover Investments	Dec 21
Norton (W. E.)	Dec 23
RFD	Dec 21
Rotaprint	Dec 23
Final—	
Nash (J. F.) Securities	Dec 30

Stated earnings per 20p share fell from 10p to 7.1p. On a CCA basis, pre-tax profits were £928,000.

● comment

Leech's 10 per cent drop in pre-tax profits has shown that some of the city's earlier expectations appear to have been well off target. It had been hoped that this fairly highly geared company—income gearing stands at 66 per cent—would see a pick-up in house sales to offset its continuing high financing costs. However, the number of plots completed and sold during the period have remained more or less static at around 18,000. Trading would have been worse had the company not succeeded in diversifying geographically away from its traditional base in the north-east. House sales there accounted for around 50 per cent of total sales compared to 80 per cent three years ago. Leech has also been putting greater emphasis into industrial property development. Other activities are gaining some impetus. Leisure park rentals were up on last year, while the one-time loss-making contracting division has shown a profit (about £177,000) for the second year running. The group is again looking for a pick up in house sales next year although is remaining cautious. Borrowing this year has been reduced from £22m to £19m. The impact of two property sales worth £4m will come through, but the group is likely to remain highly geared given the heavy need for working capital finance. The shares at 82p yield 11.9 per cent. The fully taxed p/e is 13.

Elson & Robbins £1m in the red

TAXABLE LOSSES of £1.06m were incurred by Elson and Robbins for the 12 months to September 30 1981, compared with profits of £1.15m, and the company is reducing its total net dividend from .5p to a nominal 0.1p per 25p share.

Mr E. R. Keeling, the chairman, says the current year will again be difficult but he anticipates the group will "substantially reduce its losses." The parent company, along with Hufcor (Partitions), is still trading on a profitable basis, he says, but margins are being squeezed.

He adds that all the group companies have trimmed overheads and are poised to take advantage of any improvement in the economy.

The group, which manufactures springs and spring assemblies and vinyl foam, had already plunged from profits of £1.12m to a deficit of £589,000 by mid-year. The directors were unable to predict the outcome for the remainder of the year but said indications were that the company had come through a most difficult trading period.

Tax for the year took £43,512 (£255,592) and after minority debits of £20,543 (£16,689) and extraordinary debits this time of £1.61m, there was an available loss of £2.73m, against a profit of £876,336.

Stated loss per share emerged at 11.38p, compared with earnings of 8.81p.

On a CCA basis attributable loss was £3.32m after extraordinary items.

Commenting on the results the chairman says profits of Elson and Robbins were only marginally reduced at £984,319 but the surplus of £675,275 made by Domestic Industrial Pressings the previous year was turned into a loss of £2.11m during the year under review.

Action has been taken aimed at maintaining the business of DIY in a much reduced form so that some controlled growth can occur when the opportunity arises. Hufcor (Partitions) made a profit of £82,187 (£93,102) but Thos K. Webster no longer trades and terminal losses have been dealt with as exceptional items.

During the year group borrowings were reduced by £414,000 and it is expected that these will continue to fall. Goodwill of £837,742, arising from the acquisition of DIP and Thos. K. Webster (UK), has been written off against reserves.

Property Holding raises payout as profits climb

After-tax revenue of Property Holding and Investment Trust, the property development and investment group, increased from £369,000 to £855,000 for the half year to September 30 1981, with some £0.3m of the rise attributable to the absence of charges for exceptional repairs.

Exceptional repairs last time were £597,000. In connection with Hagley House, pending the outcome of present litigation the company has continued not to take credit for recoveries from tenants.

Gross income rose from £1.99m to £2.35m, of which net income from properties accounted for £2.07m (£1.89m). Expenses took £226,000 (£185,000), interest £568,000 (£477,000), and tax £700,000 (£362,000).

Stated earnings per 25p share were ahead from 0.97p to 1.56p fully diluted. The net interim dividend is stepped up from 1.23p to 1.35p, absorbing £514,000 (£468,000), and a total of 3.5p (3.08p) is forecast—an increase of 13½ per cent.

61 companies wound up

COMPULSORY winding up orders against 61 companies were made by Mr Justice Vinelott in the High Court this week.

They were: Wood Brothers Glass Company, Mitre Impex, Handsafe, R. Cheke and Co. (Wanstead), Equitorial Lines, Equitorial Shipping Company, GMI (Wines).

Capelli, Riva Watches (UK), Delman Sundries, Ritaliz, Bryant Print Services, A. and D. Collins (Hometrend), Dimas Construction Co., Noxband, Skyways Publications, Almadie, J. and B. Worthington (Builders and Engineers).

Cinecrest Films, Play City (UK), Rogers Road Services (Wareham), Nicholas French, Berkley Picture Frames, Marx DIY (Liverpool), Wessex Windows, Advanced Vending Services.

Aimcastle, Plus Een, Pinelap, J. E. Large (Transit), Linnane Brothers and Co., Slough Metals, Orwell Steel Stockholders, McCarthy Surfacing Co. (Lichfield).

Liverpool Lift and Escalator Co., Walter Gould and Sons, Camel Shipping and Trading, Clive Hicks International, Leebar Securities, David Small (Demolition Contractors).

Chiefdean, J-Craft Marine International, Wokingham Windows, Walker-Hills Veneering Co.

Clearange, The Forest School of Motoring and Travel Agencies, Glenport Oil, Leighton Investments, Colnbrook Transport, Fred Allan (Decorators), Starline Aluminium Windows, Ellerport, Medway Reprographic.

Premal, Bernard Legat and Co., E. W. Ringwood, Charlestown Diving and Marine, JBE, Marquee Worldwide Films, Myladon Medical, SI Project Construction (UK).

PERCY LANE

Percy Lane Group has changed the name of its wholly owned subsidiary Percy Lane (Architectural) to Planet Windows (Architecture).

New venture hits Jacksons Bourne End

A modular building company set up last year by Jacksons Bourne End has pulled the Buckinghamshire-based group into the red for the 28 weeks to October 10 1981.

Although its established business—moulding components for the automotive, shoe and furniture industries — remained in profit the new operation has not fulfilled the board's expectations and it is taking steps to reduce losses there in the second half.

On turnover broadly constant at £2.74m (£2.73m) the pre-tax deficit reached £61,000 against a £54,000 surplus. The interim dividend is nonetheless maintained at 2p net per 25p share, last year's total having been 5p paid from taxable profits of £151,000.

Loss per share is stated as 2.8p (3.7p earnings).

By the attributable level, however, the group emerged £29,000 in the black, against £66,000. This came with a tax credit of £31,000 (£15,000 debit) and £59,000 extraordinary credits (£27,000).

The shoe components division reports good results although trading in the converting division has been depressed by continuing low demand from the motor vehicle industry.

Development of the Bourne End site is going ahead. Some 24,000 sq ft of warehousing has been built and letting is proceeding satisfactorily.

GEORGE OLIVER

George Oliver (Footwear) has decided to redeem on December 31 1981 the 4½ per cent redeemable first mortgage debenture stock 1979-84, of which £132,334 is outstanding. Redemption is to be effected at £102.

TRIPLEVEST

Net asset value per capital share of Triplevest is given as 489½p as at November 30 1981, against 531½p as at August 31.

ORDER RESCINDED

A compulsory winding-up order made on November 23 against Iandock was rescinded by Mr Justice Vinelott in the High Court. The petition was dismissed by consent.

Bluemel dividend omitted

A REDUCED loss for the second six months is reported by Bluemel Brothers, manufacturer of cycle and motor accessories. For the year as a whole to September 26 1981 the group incurred a pre-tax deficit of £490,546, against a surplus of £212,394, after redundancy costs this time of £105,479.

By the interim stage the company had plunged from a taxable profit of £215,279 to a loss of £353,276 (redundancy costs then were £63,156) and the directors warned there were no indications of an upturn in business.

Stated loss per share for the year emerged at 5.07p (6.49p earnings) and, like the interim, the final is also being omitted. Last year an interim of 1.65p was followed by a final of the same amount.

Turnover for the 12 months was well down at £4.32m (£6.1m). There was a tax credit for the period of £375,257 (£64,832 debit) and an extraordinary credit of £149,812 (nil)—arising from a write back of property revaluation depreciation—leaving an attributable profit of £34,523, compared with £147,562.

Current cost accounting increases the pre-tax loss to £583,700.

At year end the group's freehold premises at Wolston and Bristol were valued at £1.14m, producing a surplus of £443,982 to be written back to reserves.

Alliance Inv. lower at interim stage

With management expenses and interest charges up from £493,000 to £531,000, pre-tax profits of Alliance Investment Company fell slightly from £540,000 to £531,000 in the half-year to October 31 1981. The interim dividend is effectively unchanged at 1p—last year's total was an adjusted 2.7p.

The directors say net assets per 25p share fell by 7.8 per cent. Net asset value per share after prior charges at nominal value was 118.5p (107.3p adjusted). Stated earnings per share were 1.46p (1.52p adjusted).

They add that sterling and foreign currency borrowings, totalling £2.1m, have been repaid and effective gearing eliminated as it became apparent that stock markets worldwide were not, in 1981, going to repeat their 1980 good performance.

Net revenue shows a small decrease at £338,000 (£352,000), largely due to higher interest rates payable and to the recession which induced many of the companies in which it is invested to adopt conservative distribution policies. Tax for the half year was £5,000 higher at £193,000.

James Grant profits drop to £14,000

Pre-tax profits of James Grant and Co. (East), Edinburgh-based house furnishing concern, dropped from £248,000 to a virtual break-even £14,000 for the nine months ended October 31 1981, but the interim dividend is maintained at 1.25p net per 25p share.

The directors say that a significant level of profit is not anticipated for the remaining three months of the year.

A branch closure programme started at the beginning of November in accordance with the company's decision to reduce drastically its retail furnishing operation.

Rea Bros. plans 1-for-9 rights to raise £1.4m

REA BROTHERS, the smallest of the City's accepting houses, is raising £1.4m through a one-for-nine rights issue. It is the first by a publicly quoted accepting house since mid-1973.

Mr Walter Salomon, Rea Bros' chairman, says traditional banking business has expanded steadily in recent years and investments in new areas have also been made with the setting up in 1976 of Rea Brothers (Isle of Man) and the acquisition in 1977 of Copleys Bank which is active in the consumer finance business.

"Although disclosed capital and reserves have increased every year through retention of profits your board has decided that an increase in permanent capital would give greater flexibility in running the business and that it would be desirable to make this issue."

The bank is issuing 1,635,533 new ordinary shares at 90p but—unlike most rights issues—the issue is not being made at a discount to the share price, which closed unchanged last night at 90p.

The bank's interim profits for the period to end-June 1981 were similar to those for the corresponding period of 1980. The bank and its subsidiaries have continued to trade satisfactorily during the second half of this year and the directors "hope that this will be maintained during 1982."

They intend, in the absence of unforeseen circumstances, to recommend a final dividend for the year ending December 31 1981 of at least 0.9417p. This together with the interim of 0.725p paid on October 9 will represent a total not less than the 1.6667p paid in respect of 1980 after adjusting for the capitalisation issue.

Mr Salomon does not intend to take up his share of the rights issue which will mean that his stake in the bank will be reduced from 10.6 per cent to 9.5 per cent.

The issue has been underwritten by Carr Sebag and Co.

See Lex

Williams Lea boosts full-time to £800,000

FINANCIAL printing and business forms prospered for the Williams Lea Group and helped boost pre-tax profits from £450,000 to £800,000 for the year to September 30 1981. Sales for the group, which consists of eight specialist printing companies, were similar at £12.63m against £12.49m previously.

The directors are reasonably confident that the group will make increased profits this year, after a significant improvement in the first two months.

Trading conditions for promotional printing and self-adhesive labels were difficult, but most of the group's activities are centred on the City of London, where Williams Lea and Co. did particularly well.

The Williams Lea System of computer typesetting, installed for £1m, was designed specifically for financial printing and dramatically increased production capacity. During the year the company made substantial gains in the printing of annual reports and increased its share of international and domestic corporate finance markets.

Tax for this private company rose from £240,000 to £411,000, and stated earnings per share emerged at 69p, compared with 37p.

Hampton Areas' good profit

BY KENNETH MARSTON, MINING EDITOR

THE UK-registered Hampton Gold Mining Areas has done well in the first half of its financial year to next March despite the general recession which has hit earnings of the Wultex mining machinery subsidiary.

Net profits have risen to £829,000, equal to 6.35p per share, compared with £382,000 in the same period of the previous year when the total for the full 12 months came out at £950,000.

	Six months to September 30 1981 £000	1980 £000
Turnover	3,840	4,721
Operating profits	552	478
Royalties	574	453
Making	1,126	931
Australia Expln costs	21	12
N. Sea Expln. costs	421	38
Surplus (deficit) on exchange	204	11
Profit on sale of investments	677	—
Profit before tax and extraord. item	1,565	869
Tax	678	487
Profit after and before extraord. item	897	382
Extraord item after tax	58	—
Attributable	829	382
Earnings per share	6.35p	3.43p

Hampton Areas is maintaining its interim dividend rate at 0.75p but this represents an increased distribution because it covers a higher capital of 14m shares compared with 11m shares a year ago. The 1980-81 final dividend of 1.75p was paid on 13.9m shares.

The latest good results owe a great deal to financial factors. For instance a substantial profit was made on the sale of the holding in Paringa Mining—which arose out of the abortive bid—to Australia's Apollo International Minerals and the disposal of the stake in Cornwall's Geevor Tin to Rio Tinto-Zinc.

Cash resources have been earning high interest while purchases of U.S. dollars for the company's increased North Sea drilling expenditure were made at favourable exchange rates and have thus thrown up an exchange gain.

The strength of the Australian dollar has also enhanced the sterling value of the company's royalty income from part of Western Mining's nickel operations.

Whether the current half year will bring similar financial rewards is a moot point but Hampton Areas has high hopes for its North Sea interests and with good liquid resources is well placed to take advantage of new investment opportunities.

The shares rose 6p to 168p yesterday after the latest results.

Amax cuts molybdenum output by 25-30%

FOLLOWING yesterday's comment in this column about the poor condition of the market for molybdenum and the consequent output cuts being made by the producers of the steel industry metal, America's Amax announces that it will "significantly" reduce molybdenum production from next month.

Last year Amax produced 102m lb of molybdenum out of a western world total of some 218m lb. The Amax output was about equally provided by the big Climax and Henderson mines in Colorado. It is now stated that their combined production is to be reduced by approximately 25 to 30 per cent.

It is pointed out that the move has been made necessary by the decline in molybdenum consumption (it has been estimated at about 165m lb for next year), the build-up in producers' stocks and a series of price reductions.

Last year, half the total pretax operating profits of Amax came from molybdenum, nickel (also a poor market), tungsten and specialty steels.

Iron mine postponed

THE JAPANESE steel industry has postponed until next year a decision on the development of a new iron ore mine in Western Australia's Pilbara region, according to news agency reports from Tokyo.

The decision was postponed following a downward revision of projected domestic demand for steel.

Several leading Japanese steel producers including Nippon Steel, had originally planned to make a decision this year between two projects in the Pilbara, West Angela and Goldsworthy Mining Area C.

West Angela, containing some 1.1bn tonnes of iron ore, is owned by a consortium led by Australia's Robe River, while Mount Goldsworthy, of which Mining Area C is a part, is controlled by Consolidated Gold Fields.

At the Australia/Japan Business Conference in Sydney in October, the steel producers agreed that a new mine in the Pilbara should be developed jointly in the late 1980s, in anticipation of a shortfall in supply after 1985.

Demand was then projected at 125m tonnes a year by 1985, but the companies are now reducing their estimates. The Japanese Iron and Steel Federation said yesterday that domestic steel demand for the 12 months to April 1983 is estimated at 104m tonnes, barely changed from the projection of 102.5m tonnes for the current fiscal year.

Hemdale minority holders in chance to sell out at 14.3p

MINORITY shareholders of Hemdale Film Group (formerly Equity Enterprises), who have been locked into the shares since 1975 when they were suspended in the market, now have a chance to sell out at 14.3p.

The last time the shares were actively traded was in 1976 when Mr John Daly and Mr Derek Dawson made an offer of 3p a share, having bought out the 30 per cent holding previously owned by Slater Walker Securities.

Yesterday Southbrook and City Holdings made an agreed cash offer of 14.3p a share for Hemdale, which the board and their families intend to accept. The board controls 84.71 per cent of Hemdale, and Southbrook already owns 6.57 per cent.

Hemdale's share listing was cancelled three months ago because it had been suspended since April 1975 when the company, then called Equity Enterprises, ran into serious financial difficulties.

At one stage it had owned a secondary bank, Jacobs Kroll, which collapsed in 1975 leaving Slater Walker as a major creditor. It also ran into difficulties with major entertainment projects such as the Ali/Foreman boxing match in Zaire.

The company and Slater Walker carried out a major reorganisation in 1976 whereby Slater Walker took over all of Equity's betting interests. Mr David Frost, the show business personality, who had been closely identified with Equity's entertainment side, resigned as deputy chairman having sold his personal stake at 3p.

Messrs Daly and Dawson's bid, which followed the reorganisation, attracted acceptances from shareholders owning 8 per cent of the shares, leaving the two men and their associates with 53.2 per cent. Since then they have built up their holding to 84.71 per cent.

Now Mr Daly and Mr Dawson want to go their separate ways. Mr Daly wants to buy Hemdale's U.S. subsidiary, HLC, and Mr Dawson has agreed to buy out Mr Daly's 42.35 per cent, through Southbrook, a company owned by Mr Dawson and Mr A. Joelson.

The price reflects neither the net asset value, said to be 6.4p per share, nor the trading picture. Accumulated losses exceed £4m. Recent trading in the shares has taken place at prices of about 10p.

Associated Investments lifts stake in Headlam

Associated Investments has lifted its shareholding in Headlam Sims and Coggins, the footwear manufacturer, to 10.06 per cent (293,000 shares) following the purchase of a further 20,000 shares in the stock market.

Mr Alec Coggins, chairman of HSC, said yesterday "we have not sought this investment." He said that he had a short meeting with representatives of Associated at the end of November, but could not discover what its intentions were. Associated had said that it considered HSC to be a "good investment."

Associated is understood to be an investment vehicle for Swiss interests. The bulk of the holdings in HSC are thought to be registered in the name of a Swiss nominee company registered at a bank in Zurich.

A small part of the HSC holdings are in the name of Mr Roy Bishko, a South African, who at one time was on the board of Chaddesley Investments before it merged with Greycoat Estates.

Associated changed its articles of association earlier this year to enable it to become involved in footwear businesses.

On the London Stock Exchange yesterday the HSC shares rose by 1p to 55p, close to their year's high of 57p. At this level, the Associated holding is valued at £161,150 and the whole HSC capital at £1.6m. The directors have a total of 9.48 per cent of the HSC shares of which the largest holder is the chairman with 8.04 per cent.

HSC showed pre-tax profits of £300,174 for the year 1980/81 and in the first half of the current year profits improved from £202,419 to £224,502.

in the Supreme Court of New South Wales against the following defendants:

"Bruck (Australia) and its subsidiaries, Bonan Pty, Bradmill Industries, Tootal, Lebel Australia and Lebel Holdings, and La Mode Industries Pty..."

The NCSC is seeking orders against the defendants under Section 45 of the Companies (acquisition of shares) Code of New South Wales which relates to a contravention of Section 11 of that code. The commission is also seeking orders under Section 14 of the Securities Industry Code of New South Wales which relates to an offence against a law relating to trading or dealing in securities.

HALLITE HOLDINGS

In a letter to shareholders in Hallite Holdings Mr J. Gordon, the chairman, says the board remains mystified as to what possible benefits could accrue as a result of being taken over by General Tire and Rubber. He urges shareholders to continue to ignore the bid in respect of their shares. The directors will do likewise in respect of their beneficial holdings.

DAGNALL OFFER EXTENDED

The unconditional offer by Dagnall Securities for C.T.R. Securities made formally on November 25, 1981, has been extended and will remain open for acceptances until 3 pm on January 15, 1982.

Prior to the offer period, which was initially due to close at 3 pm yesterday, Dagnall held 2,847,301 ordinary shares of 10p in C.T.R., representing 62.22 per cent of C.T.R.'s issued share capital. At 3 pm yesterday, acceptances had been received in respect of 508,048 ordinary shares, representing a further 14.7 per cent. The offer price was 20p in cash per share.

TOOTAL DEAL: COURT HEARING

The National Companies/Securities Commission of Australia has begun proceedings

Reed Intl. completes Berrow's deal

Reed International yesterday acquired Berrow's Organisation from News International, following agreement made on April 4 1981, and after consent was received from the Secretary of State for Trade.

Berrow's publishes local newspapers in the south Midlands, Somerset and Wiltshire. Turnover for the year to June 30 1981 was £11.91m and pre-tax profits totalled £1.26m.

Reed issued 4.7m ordinary shares, ranking for a final dividend of 9p, to News International, in payment for Berrow's. Reed has also bought freehold properties used by Berrow's for £571,500 cash.

Arrangements have been made through Cazenove and Co. and L. Messel and Co. for the Reed shares issued to News International to be placed with institutional investors at 236 1/8 p per share, which includes the 4p interim payable on January 5 1982.

ARC CONCRETE/MUCKLOW

Contracts have been exchanged between A. and J. Mucklow Group and Arc Concrete for the sale to Arc of Mucklow Stone Products works at Westington Quarry, Chipping Campden. Arc is a subsidiary of Consolidated Gold Fields.

The consideration £1.75m cash on completion at December 31 1987, plus an additional amount for stocks at an agreed valuation. The assets comprise a freehold site, together with plant and machinery with a total book value of some £1.1m.

Arc intends to develop Mucklow's service to customers and will keep on existing staff.

CHARTERHOUSE DEVELOPMENT

Charterhouse Development, the development capital arm of the Charterhouse Group, has acquired an 18.9 per cent interest in Groupelec Distribution SA, located in Paris.

Groupelec was established in 1971 principally as a central purchasing organisation by a number of electrical wholesalers. The company is owned by the wholesalers and in turn has a substantial minority holding in each of their companies.

There are 14 distributors of electrical goods and electronic components situated throughout France, within the Groupelec organisation. Their combined turnover exceeds FFr 500m (about £50m).

HAMPTON TRUST

Hampton Trust has acquired Drancourt Properties for a nominal consideration.

The sole asset of Drancourt is a freehold property at 498 Blandford Road, Poole, Dorset, and has been valued at £210,000.

Bank loans and creditors of Drancourt amount to £165,000; and the only other creditors consist of loans from the vendors which have been assigned to Hampton in consideration of £45,000 convertible unsecured loan stock, repayable on or before December 9, 1983.

SHARE STAKES

Tranwood Group — On December 9, Mr L. M. James, chairman, sold 50,000 ordinary at 11½p.

Burnett and Hallamshire Holdings — Brint Investments acquired 939,918 ordinary (6.4 per cent).

Suter Electrical — J. D. Abell, director, has disposed of £100,000 9¾ per cent C S U loan stick 1995/2000 (2.4 per cent); now holds £600,000 9¾ per cent CSR loan stock 1995/2000 (14.6 per cent).

Astra takes 24.6% of Speedwell Gear

Astra Securities, a subsidiary of Astra Industrial Group, has acquired a 24.6 per cent stake in Speedwell Gear Case, the loss-making metal engineering company. Mr Dennis Dukes, chairman of Astra, and his family has acquired a further 5.2 per cent stake.

The shares have been bought from a previous chairman of Speedwell, Mr Derek Mattey, and his immediate family.

Mr Dukes will be joining the board of Speedwell within the next few days.

Speedwell recorded pre-tax losses of £391,541 for the year ended last July on sales of £1.13m.

SECURITY CENTRES

Security Centres Holdings has agreed to buy 33⅓ per cent of Video Applications Company of Florida, for $100,000 cash, and has agreed to provide a repayable working capital loan of up to $150,000 to the company for research and development.

Security centres sees its investment in Video Applications as part of its long term expansion. Video Applications developed the "Telesentry" computer-linked intruder security system, which was marketed by Security Centres in the UK and the Middle East.

Video Applications is working on a further development of the Telesentry system which, the directors of security centres consider will lead to a increase in the market for this product.

Following its investment in Video Applications, Security Centres will have the sole distributor rights to Telesentry in the UK, Western Europe (except Italy) and the Middle East. A marketing campaign for Telesentry is planned for 1982, particularly in the Middle East.

BURCO-CHARENTE

Charente Steamship has increased its shareholding in Burco Dean to 2.05m shares (24.18 per cent) by the purchase of a further 350,000 shares.

HUNTING PETROLEUM

Hunting Petroleum Services has acquired Michael Beecham, a maker of lubricating oils, for £260,000. Of this amount, £216,000 has been satisfied by the issue of 100,000 Hunting ordinary shares and arrangements have been made for 61,367 of the shares issued to be placed by De Zoete and Bevan.

HABIT PRECISION/WALTON JIGS

Habit Precision Engineering has agreed to acquire Walton Jigs and Tools. The consideration is £145,000 cash and £250,000 payable during five years from completion.

Net assets of Walton are £295,000. Turnover and pre-tax profits for the year to December 31 1980 were £663,220 and £123,111 respectively.

The acquisition is conditional on the approval of shareholders.

LONDON TRUST/CHURCHBURY

London Trust has reduced its shareholding in Churchbury Estates, the property group which recently acquired Law Land, from 7.93 per cent to 4.45 per cent.

London Trust has disposed of 235,499 ordinary shares reducing its holding to 300,000 shares. The shares were placed with institutional clients of stockbrokers L. Messel and Co.

At yesterday's close of 660p (up 10p) the Churchbury shares disposed of were valued at £1.55m. London Trust shares were unchanged at 73p.

Summer pay-out likely for Northern Dev. creditors

FIRST PAYMENTS to creditors of Northern Developments (Holdings), the Blackburn-based housebuilding group which went into receivership in 1975, could be made early next summer.

Under a scheme of arrangement proposed yesterday by Mr Rupert Nicholson and Mr Jim Butler, of Peat Marwick Mitchell, all 3,500 secured and unsecured creditors of the group should have agreed claims satisfied in full. There is also the prospect of a small surplus available which would be paid out to shareholders on the basis of ½p per share.

Peat Marwick says creditors' claims total £8.3m, of which £4.2m would, under the scheme, be distributed by September 1982. Further payments would be made as asset realisations proceed and these could spread over a period of two to three years. The scheme has to be approved in the High Court.

The receivers argue that a scheme of arrangement is a preferable alternative to the separate liquidation of all the group companies and point out it would be less expensive and produce quicker payments to creditors.

Under the scheme, all the remaining assets of the Northern Developments group will be concentrated in its largest subsidiary—CGT Construction—against which all claims will be made.

According to Peat, Marwick's summary of estimated consolidated net assets at March 31 1981, the group has assets of £7.5m nd receivership and liquidation liabilities of £425,000. Priority creditors account for £400,000, leaving estimated net assets available for unsecured creditors of £6.7m.

Some creditors, whose claims carry a contractual right to interest, have agreed to limit and defer their claims. Unsecured creditors for an aggregate amount of £3.86m have said they will be voting in favour of the scheme, as has Mr Derek Barnes, the majority shareholder.

CHARLES RICHARDS FASTENERS SOLD

The receivers of Charles Richards Fasteners have completed negotiations for the sale of the company's Darlaston-based business assets to Armstrong Equipment.

Armstrong Equipment, the automotive and engineering group, already has subsidiaries specialising in fastenings of various kinds and the acquisition of Richards will strengthen its position as market leader in this field.

It is understood that Armstrong intends to continue trading Charles Richards as an operating division of Armstrong Fastenings.

OLD COURT

Old Court Sterling Fund and Old Court International Reserves have completed their merger.

Former shareholders in Old Court Sterling Fund will receive sterling shares in Old Court International Reserves on the basis of 1,224.429 shares for every 1,000 Old Court Sterling Fund Limited shares.

Following the merger, Old Court International Reserves has a total value of US$220m.

A. J. HENRY

Mr Richard Turton, of chartered accountants Spicer and Pegler, as receiver and manager of A. J. Henry (Travel), has sold the company's eight retail travel offices trading as Marina Travel to Woodcock Travel, of Sheffield.

The tour operating part of A. J. Henry (Travel), Marina Holidays, is not part of the sale to Woodcock. The receiver is still inviting offers for that part of the business.

EUROPEAN OPTIONS EXCHANGE

Series		Feb. Vol.	Last	May Vol.	Last	Aug. Vol.	Last	Stock
GOLD C	$375	–	–	–	–	55	82	$417.75
GOLD C	$400	4	32	–	–	70	65	"
GOLD C	$425	8	19	37	35	59	50	"
GOLD C	$450	152	11	6	19	–	–	"
GOLD C	$475	15	4	3	13	–	–	"
GOLD P	$400	–		2	14	–	–	"
GOLD P	$425	28	18	13	23	5	25.50	"
GOLD P	$475	2	57	–	–	–	–	"
12¼ NL 81 87-91								
C	F.105	–	–	10	2.80	–	–	F.106
C	F.107.50	–	–	30	1.20	9	1.90	"
P	F.107.50	–	–	10	2.80	–	–	"
12 NL 81 85-88								
C	F.102.50	–	–	50	1.50	–	–	F.101.90
P	F.102.50	100	1.50	–	–	–	–	"
10¾ NL 80 86-95								
C	F.97.50	–		52	1.50	–	–	F.96.40
P	F.97.50	–		20	2	–	–	"
		Jan.		April		July		
ABN C	F.300	5	2	–	–	2	10	F.288.30
AKZO C	F.20	20	3.20	–		–	–	F.23.10
AKZO C	F.22.50	30	1.10	–	–	–	–	"
AKZO C	F.25	62	0.30	1	1.20	–		"
AKZO C	F.27.50	–	–	20	0.50	–		"
HEIN C	F.50	–	–	4	2			F.46.80
HOOG C	F.17.50	–	–	–		10	1.50	F.16.10
KLM C	F.80	10	14.50 B	–	–	–	–	F.94.30
KLM C	F.90	7	6 B					"
KLM C	F.100	48	2	–	–	4	13	"
KLM C	F.110	52	1	1	5.50 A	7	7.50	"
KLM C	F.125	40	0.50 B	9	2.80	–	–	"
KLM P	F.90	40	2.50	10	4.50	1	6	"
KLM P	F.100	20	8.50	–	–	–	–	"
KLM P	F.120	5	28	–	–	–	–	"
NEDL C	F.140	3	6	–	–	–	–	F.143
NATN P	F.110	5	1.50	–	–	–		F.111.50
PETR C	Fr.4000	–	–	1	850	1	1050	Fr.4380
PETR C	Fr.4286	7	290	–	–	–	–	"
PETR C	Fr.4500	–	–	5	520	4	680	"
PHIL C	F.20	–	–	–	–	12	1.90 A	F.19.80
PHIL C	F.22.50	1	0.10	8	0.70	22	0.90	"
PHIL C	F.25	–	–	10	0.30	–	–	"
PHIL P	F.20	27	0.70	–	–	–	–	"
PHIL P	F.22.50	5	3	–	–	–	–	"
RD C	F.70	2	18.30 A	–	–	–	–	F.88.20
RD C	F.80	21	9.20	–	–	–		"
RD C	F.90	50	1.90	47	6.20	1	7.30	"
RD C	F.100	–	–	25	2.30	–	–	"
RD P	F.70	–	–	3	0.80	–	–	"
RD P	F.80	20	0.40	–	–	–	–	"
RD P	F.90	22	3			–		"
UNIL C	F.150	1	3.30 B	1	6.80	–		F.150.00
UNIL P	F.150	2	2.50	–	–	–	–	"
		Feb.		May		Aug.		
BOEI C	$20	–	–	–		2	5¼	$23
VW C	DM.150	–	–	4	5.50	–	–	DM152.50

TOTAL VOLUME IN CONTRACTS: 1428

A=Asked B=Bid C=Call P=Put

Continental Air Lines again faces debt default

BY IAN HARGREAVES IN NEW YORK

CONTINENTAL AIR LINES, the Los Angeles-based carrier controlled by Texas Air of Houston, has torn up its 1982 operating plan and is again facing a possible default on its debt.

Continental said a further sharp drop in passenger traffic, which has hurt all airlines, since the summer had undermined its forecasts and that by the end of the month it will be in technical default on some of its debt unless it receives waivers from lenders.

The carrier, which has been through other debt restructuring exercises this year, said it expected its banks, led by Chase Manhattan, to co-operate in the latest rescheduling of $322.2m of debt. Some of this debt is at floating interest rates.

Like other over-geared airlines, Continental has been burdened with very heavy interest rate charges this year, which is a factor in the $80m loss the company now says it expects to lose this year, in spite of large gains from aircraft sales and tax credits. In the previous two years combined, Continental lost $34m.

Mr George Warde, Continental's president, said he had told the company's Board that he would draw up a new business plan for 1982 within 30 days, aiming to produce a strategy which would at least permit the airline to break even in 1982.

This almost certainly means that Continental will be making further retrenchments in operations and staff, something which Continental employees feared would be a consequence of the take-over by Texas Air.

Texas Air's strategy with Continental is to allow Continental to operate autonomously, although the presence of Mr Frank Lorenzo, Texas Air's chairman, and other Texas nominees on the Continental Board is undoubtedly an important factor in the decision to redraw the operating plan.

Texas Air is itself losing money now, and, in spite of having a stronger balance sheet than some of its competitors, it must be alarmed at the pace of Continental's losses.

$245m loss for AM International

By Our New York Staff

AM INTERNATIONAL, the troubled Chicago-based maker of office equipment, has incurred a $245m loss for its fiscal year ended July 31—in line with its prediction of a $250m deficit.

The loss comprised $101.9m from continuing operations, $99.4m from discontinued operations and a $43.7m provision for the estimated loss on the sale of various AM divisions.

The directors expect to report a $20m loss for the first quarter of fiscal 1982 partly because of high U.S. interest rates. They also forecast a net loss for the whole year because of the "substantial problems" facing the group.

AM has just won some breathing space from its banks on repayment of its huge debts, and it is shaping a revival plan based on a narrower product line.

MCI Communications to acquire WUI for $185m

BY OUR NEW YORK CORRESPONDENT

MCI COMMUNICATIONS, the young and aggressive U.S. telephone company, has launched its entry into the rapidly growing international telecommunications arena by agreeing to pay $185m for Xerox's WUI subsidiary.

WUI is the former international arm of the Western Union telegraph company. It owns Western Union International, the third-largest U.S. international telex company.

Mr William McGowan, chairman of MCI, said he had already held exploratory talks with telecommunications authorities in Europe and that he expected to develop quickly from being an international telex carrier to challenging the monopoly of American Telephone and Telegraph (the Bell System) in international telephone service from the U.S.

Challenging AT and T monopolies is Mr McGowan's speciality. In the past decade MCI has forced open the door of deregulation in the U.S. to become the largest telephone carrier outside the Bell System.

Although MCI still has only 1 per cent of the U.S. telephone market, it has over 60 per cent of the non-Bell System market and last year won a record $1.8bn anti-trust ruling against AT and T on the grounds that the larger company had sought to stifle MCI's development.

Mr McGowan said he thought the European telecommunications authorities, although their response has so far ranged from co-operative to hostile, would be no more difficult to deal with than AT and T. "I think we could find a way through," he said.

Initially, however, MCI will have to win approval from the Federal Communications Commission for the takeover.

British Telecom to issue U.S. commercial paper

By Peter Montagnon, Euromarkets Correspondent

BRITISH TELECOM, the UK telecommunications authority, has begun issuing commercial paper in its own right in New York.

It has arranged a line of up to $250m which is being dealt in by A. G. Becker. Drawings under the line bear a British Government guarantee and replace those of the British Post Office from which the telecommunications division was separated earlier this year.

British Telecom officials said the commercial paper line was not being used to raise new money, but simply to roll-over previous Post Office paper. Its external funding limit thus remains unaffected by the move.

Other new issuers in the commercial paper market include Lloyds Bank International, which may sell up to $275m of paper through Salomon Brothers, and Australia and New Zealand Banking Group which has arranged a line of up to $200m through A. G. Becker.

The commercial paper market has been growing in attraction this year for foreign borrowers as it offers a cheap source of funds. The market is supplied by U.S. corporations which place excess funds short term with borrowers at rates usually well below U.S. prime.

Harvester set for debt rescheduling

By Our New York Staff

INTERNATIONAL Harvester, the ailing U.S. farm machinery company, is "moving expeditiously" to complete its $4.1bn debt rescheduling agreement with about 200 banks, the company said.

But the group refused to confirm a report from Spain that the head of Harvester in that country, Mr Carl Levy, had said all but five of the banks would have signed up by yesterday.

Yesterday was the deadline set by the banks themselves for all creditors to state their position on the Harvester deal. The documents state, however, that there will then be one more week for rounding up recalcitrants, with a target date for signing of December 23.

Eurodollar bond prices edge higher

By Alan Friedman

PRICES of fixed-interest Eurodollar bonds were marked ¼ point higher yesterday in thin trading. The news of a 2.1 per cent decline in U.S. industrial output in November was encouraging, but there were few market participants around to react.

The six-month Eurodollar deposit rate continued to ease, falling to below 14 per cent for the first time in a week. Dealers and investors, however, are beginning their seasonal exodus from the market and bond price movements are becoming increasingly irrelevant.

The best performing new issue continues to be Pacific Gas paper, trading yesterday at close to par.

At the other end of the spectrum, the much-criticised Cummins Engine paper, also managed by Credit Suisse First Boston, traded at 92 bid.

In the Euro D-mark bond market, prices fell ¼ amid continuing fears about Poland. Prices of foreign bonds in Zurich were down ¼ point, but traders say the market is still in good shape.

Yesterday saw the launch of a rare ECU (European currency Unit) bond for Euratom. The borrower is raising ECU 42m through 15-year paper with a 14 per cent coupon. Lead manager is Banca Commerciale Italiana.

Pernod Ricard cuts interim

By Our Financial Staff

PERNOD RICARD, the French liquor group which earlier this year reported a setback to first half profits, is to cut its interim dividend by more than a quarter. Shareholders are having their payment cut to FFr 7.50 a share from the FFr 10.50 that they received this time last year.

The board's decision to trim financial overheads at the shareholders expense will cast doubt on the company's ability to match its earlier forecast of higher profits for 1981.

Pernod, the market leader in the French drinks market, suffered a 16.5 per cent decline in first half 1981 net profits to FFr 106m ($18.5m) compared with FFr 127m a year earlier.

Avon in $710m bid for health specialist

BY PAUL BETTS IN NEW YORK

AVON, the world's largest manufacturer of cosmetics and owner of Tiffany, the renowned jeweller, has said that it has made a "friendly cash and shares" bid worth $710m for Mallinckrodt, a chemicals and health care company with annual sales of about $500m based in St Louis.

With the proposed acquisition of Mallinckrodt, Avon will achieve its long-sought diversification into the health care business. The St Louis company manufactures and markets a wide range of fine chemicals, drugs and other products to the health care, laboratory, food, cosmetics, chemical and petrochemical industries.

Avon began yesterday a tender offer for 4.56m shares, or about 32 per cent of Mallinckrodt's stock, at $50 a share. Avon will also acquire an additional 17 per cent of the chemical company's 2.5m shares held in trust on behalf of Harvard University and Washington University at the same cash price.

The two companies said the tender offer would be followed by an exchange of Avon shares for all remaining Mallinckrodt shares. The Avon shares would have a value of $50 each based upon the average closing price of Avon shares during a period before the completion date, but not less than 1.429 or more than 1.667 Avon shares for each Mallinckrodt share.

Avon shares last traded on the New York Stock Exchange at $31¼ before they were suspended. Mallinckrodt shares traded at $45¼.

Avon's $50 a share price was slightly less than the $52 to $60 a share most analysts had estimated when speculation started on Monday that Avon was about to announce a bid.

The merger agreement appears to have been prompted in part by Mallinckrodt's worries over the intentions towards the company of one of its largest shareholders. Since last year, National Distillers and Chemical Company, one of the leading American drinks groups, has increased its stake in Mallinckrodt to more than 8 per cent.

Non-life operations give boost to Ennia profit

BY CHARLES BATCHELOR IN AMSTERDAM

ENNIA, the Dutch insurance group, increased its net profit by 19 per cent to Fl 75.3m ($30m) in the first nine months of 1981 on gross receipts which were 10 per cent higher at Fl 2.02bn. The strongest profit growth came outside the life insurance sector.

Profit per Fl 20 nominal share rose by 13 per cent to Fl 22.23 from Fl 19.75 in 1980, reflecting an increase in the number of shares on issue.

Ennia expects that profit per share for the year as a whole will be about 10 per cent higher than the Fl 27.36 last time.

After allowing for acquisitions, Ennia's gross rose 7 per cent. Costs rose 19 per cent, or 11 per cent after allowing for acquisitions.

After-tax profit of non-life insurance business increased by 66 per cent to Fl 22.4m on gross receipts which were 18 per cent higher at Fl 742m. Life insurance profit rose 14 per cent to Fl 62.5m on receipts which were 4 per cent up at Fl 1.09bn.

High rates of interest pushed Ennia's non-insurance business into the red. It incurred a loss of Fl 2.1m compared with last year's profit of Fl 2.2m on gross receipts of Fl 192m.

Ennia has again added Fl 7.5m to its special reserves for "catastrophes."

Ennia expects its $144m acquisition of National Old Line Insurance Company of Little Rock, Arkansas, to be completed later this month. This marks its first major foreign acquisition.

● The Dutch Government has raised Fl 1.3bn ($525m) through its traditional end-of-year tender of long-dated bonds.

The issue, carrying a coupon of 11¾ per cent and spread over a maturity of 10 years, was struck at a minimum tender price of 100.2 giving an issue yield of 11.46 per cent.

The Dutch capital market has traded quietly over the past week, dampened by rising international tension and the halt to the decline in U.S. interest rates. Given the unfavourable conditions, the Government funding appears to have been a modest success.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Tuesday January 12. Closing prices on December 16

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Anheuser-Busch 16½ 88	100	100⅞	101⅛	+0⅛	−0⅞	16.18
APS Fin. Co. 17¾ 88	80	102	102½	0	−1⅛	16.48
Armco O/S Fin. 16⅛ 88	150	99¾	99⅞	+0⅝	−0½	15.48
Bank Montreal 16¼ 91	150	100⅞	101⅛	0	0	16.16
Br. Colum. Hyd. 16½ 88	100	102⅝	103⅛	0	−0⅞	15.63
Br. Colum. Mtg. 17 87	84	102⅛	103⅛	0	−1½	16.43
Can. Nat. Rail 14½ 91	100	95⅝	96	−0⅛	−1⅞	15.48
Caterpillar Fin. 16½ 86	100	102⅝	103⅛	0	−0⅞	15.73
CFMP 15¾ 86	100	102⅛	102⅝	0	−0⅞	16.26
CIBC 16½ 91	100	102⅛	103⅛	−0⅛	−1⅞	16.11
Citicorp O/S 15¾ 86	150	102⅛	103⅛	−0⅛	−1⅞	15.73
Cities Service 17 88	150	103⅛	103⅝	0	−1⅛	16.02
Con. Illinois 14½ 84	150	98⅜	99	+0⅛	−0⅞	15.13
Cons.-Bathurst 17¼ 88	50	102⅛	103	+0⅛	−0⅞	16.77
CPC Fin. 15¾ 86	50	103⅛	104⅛	0	−1⅛	15.47
Dupont O/S 14½ 89	400	98⅞	98⅞	+0⅛	−0½	14.88
EIB 16½ 88	125	102⅞	102⅛	+0⅛	−0½	15.78
EIB 16⅝ 91	100	103⅞	103⅞	+0⅛	−0⅞	15.97
GMAC O/S Fin. 15½ 84	200	100⅞	101⅛	0	−1⅛	16.04
Gulf States O/S 17¼ 88	50	100⅜	101⅛	0	−1⅞	16.42
IBM Wld. Trade 14¾ 85	50	101½	102⅛	+0⅛	−0⅜	13.88
Nat. Bk. Canada 16½ 88	50	99⅜	100	0	−1	17.13
New Brunswick 17 88	100	102⅞	103⅛	−0⅛	−1	15.97
Newfoundland 17¼ 89	60	105⅛	105⅝	0	−0⅞	15.84
Nov. & Lab. Hy. 17¼ 89	75	103	103½	−0½	−1½	16.47
Ohio Edison Fin. 17½ 88	75	101⅝	102⅛	−0⅛	−1⅛	16.97
OKG 15¼ 87	50	97⅛	98¼	+0⅛	−0⅝	16.10
Ontario Hyd. 16 91 (N)	200	100⅝	101⅛	−0⅛	+2¼	15.80
Pacific Gas Elec. 16 88	75	101	101½	+0⅛	−1⅞	15.62
PSNH Int. Fin. 17 88	30	102⅞	102⅝	0	+0⅛	16.15
Quebec Hydro. 17¼ 91	150	104⅞	105⅜	−0⅛	−1⅛	16.14
Quebec Province 15¾ 89	150	96⅝	97¼	0	−1⅛	15.94
Saskatchewan 16½ 88	100	100⅝	101⅛	−0⅛	−1⅛	16.01
Shell Canada 15½ 91	100	102⅜	103¼	−0⅛	−1⅞	15.10
Swedish 14¾ 88	150	95	95½	0	−1⅛	15.66
Swed. Ex. Cred. 16½ 93	75	100⅞	101⅞	0	−1⅛	16.26
Tenneco Int. 17 89	100	104⅛	104⅝	0	−1⅛	15.93
Transamerica 17¾ 88	75	104⅛	104⅝	0	−1⅛	16.53
Transcanada 16 89	100	98⅛	98⅜	0	−1⅞	16.34
Walt Disney 15¾ 86	100	101	101½	−0⅛	−1⅛	15.29
Winnipeg 17 86	50	103½	104	0	−1½	15.78
World Bank 16 86	210	101⅜	101⅞	+0⅛	−0⅜	15.38
World Bank 16 88	80	101⅞	102⅜	+0⅛	0	15.38
World Bank 16½ 86	130	102⅜	103⅛	0	−0⅜	15.51
World Bank 16¾ 88	100	102⅞	103⅜	+0⅛	−0⅜	15.67
Average price changes...	On day 0 on week −0⅞					

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	100	99⅞	100⅜	+0⅛	−0¼	9.98
Asian Dev. Bank 10½ 89	100	101½	102⅛	−0⅛	−0⅛	10.37
Austria, Rep. of 8¾ 92	150	92⅝	92⅞	−0⅛	−0⅛	9.38
Belgelectric 11 91	100	100⅝	101⅞	−0⅛	−0⅛	10.81
CECA 10 91	120	101⅞	102⅛	+0⅛	−0⅛	9.65
Council of Europe 10 91	100	100⅝	100⅞	−0⅛	−0⅛	9.90
Cncl. of Europe 10¾ 91	100	100⅝	101⅛	0	+0⅛	10.11
EIB 8¾ 90	200	93⅝	94⅜	−0½	−0⅝	9.53
EIB 10¾ 91	200	102⅝	102⅞	−0⅛	−0⅛	10.06
ESCOM 8¾ 87	105	95⅝	95⅞	−0⅛	−1	10.30
Finland, Rep. of 10 89	100	99⅜	100⅜	0	−0⅛	9.98
Ind. Bk. Finland 8½ 90	50	91⅝	92⅜	−0⅛	+0⅛	9.89
Int.-Am. Dv. Bk. 10 91	100	100¼	100⅞	0	−0⅛	9.90
Japan Air Lines 8½ 87	100	95⅞	96⅜	0	−0⅛	8.99
Japan Dev. Bk. 7¾ 87	100	93¾	94⅜	0	+0½	9.08
Midland Int. Fin. 8½ 90	150	93⅞	94¼	0	−0⅛	9.53
Mt. Bk. Dnmk. 10½ 91	100	99⅞	100⅜	−0⅛	−0⅛	10.49
Nat. West. 11 91	125	104⅜	105⅛	0	+0⅛	10.20
OKB 10¾ 91	150	100⅜	100⅞	−0⅛	−0⅛	10.01
Renault Accept. 10¾ 88	150	100⅝	100⅞	0	−0⅛	10.57
Swed. Ex. Cred. 10¼ 91	100	99	99½	−0⅛	−0½	10.37
Venezuela, R. of 9¾ 90	150	93⅞	94⅜	−0⅛	−0⅛	10.78
World Bank 11 91	100	103⅞	104⅜	+0⅛	−0⅛	10.27
Average price changes...	On day −0⅛ on week −0⅛					

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Airport Paris 6½ 91	60	†94	95	0	−0⅛	7.32
Asian Dev. Bank 8 90	80	102⅛	102¾	+0⅛	−0⅛	7.60
BFCE 6½ 91	100	†96½	97	−0⅛	+0⅞	6.99
Belgelectric Fin. 7¾ 91	100	101⅞	101¾	−0½	−0⅛	7.50
Bell Canada 7⅝ 93	100	103⅞	104	−0⅛	−1⅛	6.76
Bergen, City of 6½ 91	30	100⅝	100¾	−0⅛	0	6.71
Bet. de Autopistas 8 90	50	100⅛	100⅝	−0⅛	−0½	7.84
CECA 6½ 91	80	99⅜	99⅞	+0½	−0⅛	6.78
Dome Petroleum 5¾ 91	100	93⅝	94	−0⅛	−1⅛	6.65
Dome Petroleum 7½ 90	100	103⅛	103⅝	−0⅛	−0⅛	6.73
Franc. Petroles 6½ 91	80	95	95⅝	−0⅛	−0⅛	7.23
Gensiar 7 91	100	†102⅛	102½	+0⅛	−0⅛	6.64
Int. Amer. Dv. Bk. 7 91	100	98⅝	99	+0⅞	0	7.16
I/S Elsam 6½ 91	60	104	104¼	−0⅛	−0⅛	7.87
Japan Air Lines 7¾ 91	100	103	103⅜	−0⅛	−0½	6.81
Nedar. Gasunie 8 91	100	105⅛	105½	−0⅛	−1	7.23
OKB 7 93	100	100	100¼	−0⅛	−0⅛	6.58
OKB 7¾ 91	100	100⅝	101	0	−0⅛	7.12
Oslo, City of 8 91	100	104½	105	0	−0⅛	7.30
Saint Etienne 8½ 91	20	104⅝	104⅝	−0⅛	+0½	7.87
Swed. Ex. Credit 7¼ 91	75	97⅝	98	−0⅛	−0½	7.59
TNT O/S Fin. 8 91	50	103⅝	104	−0⅛	−0⅛	7.43
Unilever NV 7¾ 93	100	103⅝	104	−1	−1½	7.01
World Bank 6 91	100	93⅝	94	−0⅛	+0⅛	6.92
World Bank 7 90	100	100	100¼	−0⅛	−0⅞	6.97
World Bank 8 91	100	103⅛	103⅞	−0⅛	−1⅛	7.44
Average price changes...	On day −0⅛ on week −0½					

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8¼ 91	15	99⅞	100⅛	0	+0⅛	8.26
Australia 8 88	20	90⅜	91⅜	0	+0⅛	8.34
EIB 7⅝ 89	12	98	99	0	+0¼	8.01
Finland, Rep. of 8½ 87	15	99	100	0	+0⅛	8.47
Int.-Amer. Dev. 8⅞ 91	15	101⅛	102⅛	0	+0⅛	8.58
New Zealand 8⅝ 87	15	99⅞	100⅞	0	+0½	8.27
Average price changes...	On day 0 on week +0⅛					

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Can. Utilities 17 96 C$	50	†96	98½	0	+0⅝	17.33
Pancanadian 16½ 88 C$	65	†100½	105⅛	0	−1½	16.16
Quab. Urban 16⅝ 86 C$	20	†104	105	0	0	16.67
Federal Dev. 17⅝ 86 C$	40	†96	98⅝	0	0	18.94
GMAC (Can.) 18 87 C$	60	†100¼	101⅞	+0⅛	0	18.44
Royal Trust 17¾ 86 C$	40	†100	100⅜	0	−0¼	17.17
Tordom Cpn. 13½ 88 C$	30	†96	96	+1	−0½	15.19

	Issued	Bid	Offer	Change on day	Change on week	Yield
M. Bk. Dnmk. 9 91 EUA	25	83	84¼	0	+2¼	11.89
SOFTE 8¾ 89 EUA	40	79	80	+0⅛	+0⅛	12.89
U. Bk. Nwy. 9½ 90 EUA	18	91	91¾	+0⅛	+1⅞	11.14
Algemene Bk. 10¼ 86 Fl	60	96⅝	96⅞	+0½	+0⅞	10.65
Amfas Group 12¾ 86 Fl	40	102⅛	102⅝	+0⅛	+1⅜	11.58
Amro Bank 12 86 Fl	75	101¾	102¼	0	−0⅛	11.37
Amro Bank 12 86 Fl	60	101	101½	−0⅛	−0⅛	11.63
Heineken NV 10 87 Fl	100	95⅛	96⅛	−0⅛	−0⅛	11.00
Pierson 10¼ 86 Fl	50	97⅛	97⅝	−0⅛	+1	11.04
Rabobank 12 86 Fl	50	101¼	101¾	+0⅛	+0⅛	11.51
Air France 14½ 86 FFr	200	92⅝	93⅛	0	+0⅞	16.86
Bk. America 14½ 86 FFr	250	93¼	94⅛	0	−0⅛	16.53
Charb'nages 13⅞ 86 FFr	400	92⅛	93⅛	0	+0½	16.54
EIB 14½ 88 FFr	300	89⅛	90⅛	−0⅛	+0⅛	16.96
La Redoute 14¾ 85 FFr	125	91	92	0	+0⅛	17.48
OKB 14 86 FFr	400	91⅜	92⅝	0	0	16.72
Solvay et C. 14¾ 86 FFr	200	92	93	0	0	17.31
Swed. E. Cr. 14⅝ 86 FFr	250	92	93	+0⅛	+0⅛	17.14
U. Mex. Sts. 14 85 FFr	150	91¾	92⅛	0	+0⅛	17.25
Acona 14 85 £	20	91½	92⅛	0	+0⅛	16.87
Beneficial 14¼ 90 £	20	84⅛	85½	−0⅛	−0⅛	17.70
BNP 13½ 91 £	15	85⅜	86⅛	−0⅛	0	16.60
CECA 13½ 88 £	20	90	91	0	0	16.84
Citicorp O/S 13½ 90 £	50	88½	89½	0	−1⅛	15.99
Fin. Ex. Cred. 13¾ 86 £	15	91⅞	92⅞	0	−0⅛	16.28
Gen. Elec. Co. 12½ 89 £	50	87½	88½	0	0	15.31
Hiram Walker 14¾ 86 £	25	93⅝	94⅝	0	−0⅛	16.11
Privatbanken 14½ 88 £	12	92⅝	93⅞	0	+0⅛	16.22
J. Rothschild 14¾ 90 £	12	94⅛	95⅛	0	+0⅛	15.36
Royal Trustco 14 86 £	12	94¼	95⅛	0	+0⅛	15.74
Swed. Ex. Cr. 13¾ 86 £	20	91	92	+0⅛	−1⅛	16.63
Akzo 9¾ 87 LuxFr	500	85⅞	86⅞	0	−0⅛	12.67
Euratom 9¾ 88 LuxFr	500	84⅞	85⅞	0	−1½	13.42
Eurofima 10½ 87 LuxFr	500	89⅛	90⅛	+0⅛	0	13.13
EIB 9¾ 88 LuxFr	600	85⅛	86⅛	0	−0⅛	13.15
Volvo 9¾ 87 LuxFr	500	86⅛	87⅛	0	−0⅛	13.12

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5¼ 90	0¼	99½	100	18/12	16⅝	16.79
Bank of Montreal 5½ 91	0⅛	99⅛	99⅞	29/4	17.06	17.13
Bank of Tokyo 5¼ 91	0⅛	98	98½	10/6	13⅝	13.49
Bk. Nova Scotia 5¼ 93	0⅛	99⅜	100⅛	29/4	17.06	17.06
BBL Int. 5 88	0¼	99¼	99⅝	20/5	13½	13.58
BFCE 5¼ 88	0¼	99⅝	100⅛	26/4	16.94	16.96
Christiania Bk. 5½ 91	‡0⅛	98⅝	99⅛	5/2	15.56	15.72
Co-Ben Eurofin 5½ 91	0⅛	98½	99	14/4	16.89	16.90
Den Norske Cred. 5½ 93	0¼	97⅝	98⅛	4/12	13.56	13.86
Genfinance 5¼ 87	0⅛	100⅛	100⅝	30/4	17.06	17.00
Genfinance 5⅛ 92	0⅛	99⅛	99⅞	30/12	18.31	18.38
Giro und Bank 5¼ 91	‡0⅛	99	99½	23/12	17½	17.63
GZB 5¼ 92	‡0⅛	98½	99	5/3	13⅛	13.29
Ind. Bank Japan 5¼ 88	0½	98½	99	9/5	13.31	13.48
Lloyds Eurofin 5¼ 93	§0⅛	99⅝	99⅞	29/4	17.13	17.19
LTCB Japan 5½ 89	0¼	98⅞	99⅜	16/1	18.32	18.48
Midland Int. Fin. 9 91	0⅛	99⅝	100⅛	30/4	17.06	17.06
Nacional Fin. 5½ 88	0¼	98	98½	25/3	17.31	17.62
Nat. Bk. Canada 5¼ 88	0⅛	99⅝	100⅛	24/3	17.31	17.33
Nat. West. Fin. 5¼ 91	§0⅛	99	99½	15/1	18⅛	18.26
Nat. West. Fin. 5¼ 92	§0⅛	99⅝	100⅛	23/4	17	17.02
Nordic Int. Fin. 5½ 91	0⅛	98⅝	99⅛	6/5	15⅛	15.78
Offshore Mining 5¼ 91	0⅛	98	98½	2/6	13	13.23
Pemex 6 91	0¼	98	98½	8/4	17	17.30
Pemex 5¼ 88	0¼	†98	98½	14/2	18.81	19.15
Sanwa Int. Fin. 5¼ 88	0⅛	99⅝	100⅛	24/3	17⅛	17.27
Sec. Pacific 5¼ 91	0⅛	98½	99	24/5	13¼	13.42
Societe Generale 5¼ 91	0⅛	99⅜	99⅞	22/1	18⅝	18.70
Sparebanken 6 87	0⅛	98⅜	98⅞	19/12	16.81	16.98
Standard Chart. 5¼ 91	0⅛	98⅝	98⅞	18/5	13.31	13.53
Sumitomo Fin. 5½ 88	0⅛	99⅝	100⅛	6/2	19.56	19.56
Average price changes...	On day 0 on week −0⅛					

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5¼ 96	7/81	933	96½	100	+1½	1.35
Bow Valley Inv. 8 95	4/81	23.12	103⅞	105	0	17.85
Canon 6¾ 95	1/81	829	115⅞	117⅞	+3	7.29
Daiwa Secs. 5½ 96	12/81	539	†82	84	−1½	−0.10
Fujitsu Fanuc 4½ 96	10/81	6770	103	104½	+1	3.76
Furukawa Elec. 5¾ 96	7/81	300	120½	122	+4¼	0.76
Hanson O/S Fin. 9½ 96	8/81	2.74	†89	90	+1	−3.61
Hitachi Cred. Cpn. 5 96	7/81	1986	94½	96½	+0½	13.77
Inchcape 8 95	2/81	4.95	†59½	60	0	24.25
Kawasaki 5¾ 96	9/81	229	83¾	85¼	+1⅛	4.16
Marui 6 96	7/81	931	105⅝	105⅞	+1¼	−0.61
Matsushita El. 7½ 95	11/80	590	100	101½	+0½	1.07
Minolta Camera 5 96	10/81	909	†75½	77	0	8.50
Murata 5¼ 96	7/81	2190	80¼	81¾	+1⅛	19.09
NKK 6½ 96	7/81	188	100⅛	101½	+1¼	9.88
Nippon Chemi-C. 5 91	10/81	919	†78	80	0	1.19
Ricoh 6¾ 95	8/80	604	113¾	115⅝	+0½	8.87
Sanyo Electric 5 95	10/81	852	†80½	82	+0½	10.55
Sumitomo Met. 5¼ 96	10/81	305	83¾	85¼	+1⅛	3.99
Swiss Bk. Cpn. 6¾ 90	9/80	200	†78½	80½	0	22.12
Taylor Woodrow 8¾ 90	1/81	4.94	†77	78	+2	−1.84
Transco Int. 8¾ 95	2/81	68	†83	84½	+1½	26.89
Tricorp 8½ 95	12/80	31.25	†75⅛	77	0	46.63
Union Bk. Switz. 5 89	2/80	70.79	†82½	84½	0	2.42
Sharp Cpn. 6½ 88 DM	9/80	591.8	170	171	−0⅛	−3.22
Uny Co. 6½ 86 DM	11/79	879.3	102½	103¾	+0⅛	−2.95

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

VONTOBEL EUROBOND INDICES

14.5.76 = 100%

PRICE INDEX	15.12.81	8.12.81	AVERAGE YIELD	15.12.81	8.12.81
DM Bonds	91.43	91.92	DM Bonds	9.737	9.634
HFL Bonds & Notes	93.75	93.30	HFL Bonds & Notes	11.109	11.072
U.S. $ Strt. Bonds	86.23	87.10	U.S. $ Strt. Bonds	14.060	13.629
Can. Dollar Bonds	86.85	86.61	Can. Dollar Bonds	14.635	14.695

Companies and Markets

INTL. COMPANIES & FINANCE

MAN sales and orders on an uptrend

By Kevin Done in Frankfurt

MAN, the commercial vehicles and mechanical engineering subsidiary of Gutehoffnungshütte, West Europe's largest mechanical engineering group, expects to boost turnover by 10 per cent to 15 per cent to more than DM 10bn in the year ending June, 1982.

Last year the group produced an after-tax profit of DM 50m ($22m) no change on 1979-80 despite a DM 80m increase in interest charges to DM 155m. Sales totalled DM 8.9bn.

In the first five months of the year new orders worth DM 2.8bn were booked, an increase of 16 per cent on the same period last year. MAN's business is being increasingly carried by orders gained outside West Germany. No less than 74 per cent of the group's order book of DM 6.5bn is based on foreign contracts.

New orders from the domestic market in the five months dropped by 21 per cent to DM 1.03bn, but this was more than compensated for by the jump of 54 per cent in foreign orders to DM 1.84bn.

Turnover in this period climbed by 15 per cent to DM 2.06bn. Some 53 per cent of this was accounted for by foreign sales compared with only 42 per cent a year ago. Foreign sales were up by 45 per cent in the July to November period.

Herr Otto Voisard, chief executive of MAN, made clear yesterday that MAN's competitiveness in foreign markets had been boosted considerably by the decline in the value of the D-mark over the past 12 months.

Of the 1980-81 turnover of DM 8.9bn, some 47 per cent was derived from foreign sales compared with 41 per cent in the previous year. Sales in total rose by 15 per cent reflecting a 30 per cent jump in foreign turnover and virtually stagnating domestic sales, where there was a rise of 3 per cent.

Some 52 per cent of MAN sales now comes from commercial vehicles, 11 per cent from diesel engines and 15 per cent from machinery and steel construction.

Suedzucker sales up

Turnover of Sueddeutsche Zucker rose 13.9 per cent to DM 971m in the first eight months of the year ending February 1982. The West German sugar producer said, however, that profits were coming under pressure from lower sugar prices

Asuag watch component units to be rationalised

BY JOHN WICKS IN ZURICH

ASUAG, THE Swiss watch group which recently passed its dividend, is to accelerate the reorganisation of its components business as a result of deteriorating trading conditions.

Five component operations are to be brought together as one unit, the various sales forces are to be centralised and there will be some redundancies "at all levels."

The Swiss watch industry has been under pressure from foreign—mostly Japanese—competition for a number of years and several well-known Swiss manufacturers have been forced out of business.

Asuag's main domestic rival, SSIH, was itself the subject of a bank rescue in 1980.

After a comfortable enough start to 1981, Asuag ran into marked sales weakness in the third quarter. In November the group holding company—which has a June financial year-end—passed its dividend having earlier planned to pay a maintained 6 per cent.

Holding company profits last year totalled SwFr 4.8m while carried over earnings amounted to SwFr 3.3m. The decision to pass the dividend saved the company SwFr 4.6m.

Asuag's components operations centre on the 92 per cent owned subsidiary, Ebauches. As a step to concentrate the sales effort and improve competitiveness, a new operation be set up within the group during the first quarter of 1982.

This will consist of the Swiss d'Ebauches, Fabriques d'Horlogerie de Fontainemelon and Ebauches Electroniques, all of which are manufacturers of watch movements and components, and the two foreign watch component subsidiaries Durowe Deutsche Uhrenrohwerke, and Sefeajn of France.

While these five companies will retain their legal entity, operational responsibility will be taken over by the present general manager of ETA, Dr Ernst Thomke.

The new structure will streamline technology development as well as concentrate the sales effort. Job loses are not expected to exceed the 5 per cent personnel cut foreseen

Norwegian groups seek cash

BY FAY GJESTER IN OSLO

TWO NORWEGIAN financial institutions—a bank and an insurance group—plan rights issues to raise a combined NKr 156m ($27m).

Christiania Bank og Kreditkasse, one of the "big three" commercial banks, is to make its first issue of new shares since 1977. It will be a one-for-four issue at par which will raise NKr 121.25m.

The bank's equity increases since 1977 have been the result of mergers with smaller banks

Most Norwegian banks have been reluctant to float new capital since January, 1978, when the Labour Government's controversial "bank democracy" law took effect.

Now, however, the new Conservative Government has announced plans to reverse some of the law's more punitive provisions. Other banks may soon follow Christiania's example since Norwegian law requires commercial banks to increase capital in line with liabilities.

Norden, a leading insurance company, plans for a one-for-two issue at par. This will raise NKr 35.5m. Subscriptions close on February 8, and the new shares will be entitled to full 1982 dividend.

Subscriptions for the bank rights will close on April 16, and the new shares will be entitled to half the 1982 dividend.

● Meanwhile, Christiania Bank has announced a three year programme of "positive discrimination" designed to speed the promotion of women to senior management positions. It aims to at least double the number of its female general managers to four between 1982 and 1984. Its other targets for the three years are the appointment of at least four women to assistant general manager posts, while at least 40 per cent of those promoted to manager or departmental manager must be women.

Dutch paper group sees loss despite improvement

BY CHARLES BATCHELOR IN AMSTERDAM

DUTCH board and paper maker, Koninklijke Nederlandse Papierfarbrieken (KNP), expects to incur a net loss of Fl 5m to Fl 9m ($2-$3.6m) before extraordinary items this year but may be back in profit for 1982. A small profit in the second half will reduce the first half loss of Fl 9.4m.

It is not yet clear, however, whether additional provisions will be needed to meet the cost of the reorganisation which is now being carried out. Extraordinary items cost Fl 14.4m in the second half of 1980.

KNP announced plans to shut down a small production line making uncoated paper at its Maastricht headquarters and make other cost savings leading to a total loss of 400 of its 5,500 jobs. The further reorganisation will save Fl 24m, including Fl 21m in wage costs, and could lead to the company making a profit in 1982.

The production line which is now to be closed is the third to be shut down in the current reorganisation. KNP now has four larger production lines making coated papers and a number of specialised lines.

KNP incurred a net loss last year of Fl 14.3m on sales of Fl 1.1bn. It produced 604,000 tonnes of paper and packaging products, comprising 64 per cent printing papers and 36 per cent paper and board for packaging.

Profit forecast by Texaco of Germany

HAMBURG — Deutsche Texaco expects to earn an overall profit this year, with earnings from oil exploration and production outweighing losses on downstream operations, reports Reuter.

The company, a subsidiary of Texaco of the U.S., posted a parent company profit of DM 207m (£93m) last year after a DM 170m profit in 1979.

A report in the company's house magazine said Deutsche Texaco sold roughly the same volume of oil products in 1981 as in 1980, when sales totalled 9.4m tonnes.

It would process some 7 per cent less oil at its three refineries than the 8.9m tonnes of 1980. Refineries were running at 76 per cent of capacity.

PERSONAL

Norwegian bank to aid foreign expansion

By Fay Gjester in Oslo

DEN NORSKE CREDITBANK (DnC), Norway's largest commercial bank, will consider providing limited amounts of risk capital and loan finance to small and medium-sized companies to set up operations abroad.

Initially, it is earmarking NKr 50m ($8.7m) for this purpose—"not more than the bank can afford to lose," according to Mr Borger Lenth, a bank officer. Mr Lenth said the new policy aims to encourage more Norwegian companies to take the first step towards internationalising their activities.

Norwegian governments have urged companies to look abroad to expand sales and gain access to foreign know-how. Moreover, rising oil and gas revenues could make Norway a net capital exporter in the near future.

Mr Lenth said DnC could assist companies by providing advice or acting as a "marriage broker" between them and potential foreign partners. The bank's equity stakes in foreign projects would always be relatively small. It would participate as a minority partner, and withdraw after a few years, once the new venture had been well established. The bank could then reinvest the capital in some other enterprise.

Alia expects JD 2m income

By Rami G. Khouri in Amman

ALIA, the Jordanian airline, expects to report a net profit of JD 2m ($6.5m) for the year ending December 31.

Mr Ali Ghandour, the chairman and president, said Alia will have carried 1.4m passengers this year. He projected total revenues at JD 103.5m and expenditures at JD 101.5m. This will be Alia's ninth consecutive year of profits.

MPH to widen ownership with issue to Bumiputras

BY WONG SULONG IN KUALA LUMPUR

MULTI-PURPOSE HOLDINGS, the investment arm of the Malaysian Chinese Association, a partner in the Malaysian Government, is to make a special issue of 20m shares to Bumiputras (native Malays).

The move is to answer growing criticisms over the Chinese character of this fast expanding conglomerate. The issue is also one of the conditions MPH must meet before getting a listing on the Kuala Lumpur Stock Exchange.

Mr Tan Koon Swan, MPH's managing director, said the price of the special issue to the Malays would be fixed by the Government's capital issues committee, which has to approve all share issues of Malaysian public companies.

MPH's paid-up capital is currently 380m ringgit (US$170m), of one ringgit a share each. It is the intention of MPH to increase the Malay Equity in MPH steadily to 30 per cent by 1990 in compliance with the Government's New Economic Policy.

The public listing of MPH, expected early next year, would place MPH as one of the top five Malaysian listed companies. Currently, its shares are privately traded at 3.5 ringgit to four ringgit each.

Meanwhile, Berjaya Kawat, a publicly quoted wire manufacturer, has restructured its equity to comply with the New Economic Policy. Pernas Engineering, a subsidiary of Pernas, a government agency, is to acquire 22.2 per cent of Berjaya Kawat by buying 3.17m new shares at 2.25 ringgit each. The shares are being traded at more than four ringgit.

Broken Hill Proprietary of Australia has a substantial minority interest in Berjaya Kawat.

Phillips to start Ivory Coast oilfield production

BY MARTIN DICKSON, ENERGY CORRESPONDENT

PHILLIPS Petroleum expects to start oil production from the Ivory Coast's offshore Espoir field in the third quarter of next year, the company has announced.

Phillips, the operator for a four-company consortium, said it had just completed the first production well for the field, which had flowed at a rate of 6,335 barrels a day in tests. Three more wells are to be drilled in the initial stage of the production programme.

A converted jack-up rig is to be used as a production centre for the wells and the oil will be shipped from the field in a converted Very Large Crude Carrier (VLCC), the Phillips Enterprise.

Production from the field will give a substantial boost to the cash flow of the consortium, which is undertaking a major exploration and appraisal programme off the Ivory Coast, involving four drilling rigs.

Four of Phillips' five latest exploration wells have struck hydrocarbons, notably gas, in substantial volumes. But the company says it is still too early to quantify the reserves found.

The Ivory Coast is already producing about 10,000 barrels a day from a field operated by a subsidiary of Exxon. The Espoir development should bring it close to self-sufficiency during the next year or two.

Filipinos drop VW for Nissan

MANILA — DMG Incorporated, which has assembled Volkswagen cars in the Philippines since 1957, is expected to be dissolved soon and be replaced by a new company which will assemble Nissan cars.

The new company, to be called Pilipinas Automotive Industries, will have two Japanese partners, Nissan Motor and Marubeni, the trading company each with a 15 per cent stake. The remaining equity will be divided among the original Filipino shareholders of DMG.

AP-DJ

KLK lifts profits despite weak prices

By Our Kuala Lumpur Correspondent

KUALA LUMPUR Kepong, Malaysia's fourth largest plantation group, suffered from weak commodity prices in the year to September, but with higher output and a better performance by overseas subsidiaries group pre-tax profit was 3 per cent higher at 65.4m ringgit (U.S.$29m).

Net profit was 9 per cent better at 42.7m ringgit after a lower tax charge, and attributable profit was boosted to 67m ringgit against 40.5m ringgit by an extraordinary gain of 24m ringgit.

The gain came from the sale of Kepong estate outside Kuala Lumpur to Multi-Purpose Holdings and the disposal of some other investments. Part of the proceeds from the estate sale will be used to build a palm oil refinery in Johore state.

● Malacca United Estates, the listed plantation group controlled by the family of Tun Tan Siew Sin, Sime Darby's chairman, is cutting its interim dividend from 7 to 5 cents following a 20 per cent fall in pre-tax profit to 2.2m ringgit in the six months to October.

FT UNIT TRUST INFORMATION SERVICE

OFFSHORE & OVERSEAS FUNDS

[illegible]

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CURRENCIES, MONEY and GOLD

£ & $ firm

Sterling was firmer in currency markets yesterday in nervous erratic trading. The proximity of Christmas and the year end combined with renewed tension in Poland tended to keep most people out of the market.

The dollar was slightly easier to begin with, reflecting a lower trend in Euro-dollar rates but recovered later in the day partly helped by continuing tension in Poland.

The Danish krone returned to the top of the European Monetary System yesterday with the French franc in second place. The D-mark was placed at the bottom of the system, well within its divergence limit, followed by the Italian lira.

STERLING — trade weighted index (Bank of England) rose to 90.2 from 89.9, having stood at 90.4 at noon and 90.3 in the morning. Against the dollar it opened at $1.8910-1.8940 and sank to a low of $1.8840 before recovering to $1.8950 at noon. It touched a high of $1.9000 before closing at $1.8865-1.8880, a fall of 20 points. Against the D-mark sterling rose to DM 4.2975 from DM 4.2700 and FFr 10.87 from FFr 10.7850 against the French franc but fell in terms of the Swiss franc to SwFr 3.4475 from SwFr 3.4550.

DOLLAR — trade weighted index (Bank of England) was 107.2 from 107.3. The dollar rose to DM 2.2770 against the D-mark from DM 2.2650 but fell in terms of the Swiss franc to SwFr 1.8275 from SwFr 1.8325. It was higher against the Japanese yen at Y218.10 from Y217.4 and improved against the French franc to FFr 5.7625 from FFr 5.7225.

D-MARK—Showing a slightly firmer tendency compared with levels set after October's reshuffle of the European Monetary System. However, against the dollar the D-mark has steadily lost ground this month although it is still much firmer than levels touched earlier this year — There was little change in the dollar at yesterday's fixing in Frankfurt. It was fixed at DM 2.2700 against the dollar, compared with an early rate of DM 2.2725 and DM 2.2776 at Tuesday's fixing. Trading was rather thin ahead of Christmas while Euro-dollar rates showed little change. The D-mark was slightly firmer overall within the EMS. The French franc fell to DM 39.46 per FFr 100 from DM 39.47 and the Belgian franc eased to DM 6.01 from DM 6.0190 per BFr 100. Elsewhere sterling was fixed at DM 4.3050, up from DM 4.2740 and the Swiss franc was higher at DM 1.2420 compared with DM 1.2398.

BELGIAN FRANC — The Belgian franc has eased from Tuesday's levels having reached the top of the EMS following a sharp rise in interest rates. Previously the Belgian franc had been at the bottom of the system and outside its divergence limit— The Belgian franc fell back slightly after Tuesday's sharp rise. However, it still remained quite comfortable within the EMS, underpinned by high interest rates and a new economic programme announced by the new Government. Yesterday's weaker tendency probably reflected selling as the market did not expect the franc to remain as strong. The D-mark rose to BFr 16.7240 from BFr 16.5570 and the Dutch guilder was higher at BRr 15.379 from BFr 15.15. Outside the EMS sterling fell to BFr 71.90 from BFr 70.94 while the dollar rose to BRr 37.8450 from BFr 37.58.

THE POUND SPOT AND FORWARD

Dec 16	Day's spread	Close	One month	p.a.	Three months	p.a.
U.S.	1.8840-1.9000	1.8865-1.8880	0.43-0.33c pm	2.42	[illegible]	[illegible]
Canada	2.2420-2.2660	2.2450-2.2505	0.10-0.20c dis	[illegible]	[illegible]	[illegible]
Nethlnd.	4.68-4.71	4.69-4.70	1¼-1⅛c pm	[illegible]	[illegible]	[illegible]
Belgium	70.80-71.90	71.40-71.60	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	13.82-13.95	13.92-13.94	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	1.2030-1.2115	1.2055-1.2070	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	4.26-4.31	4.29½-4.30½	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	123.00-124.50	123.20-123.50	[illegible]	[illegible]	[illegible]	[illegible]
Spain	183.25-184.50	183.45-183.65	[illegible]	[illegible]	[illegible]	[illegible]
Italy	2,287-2,298	2,289-2,291	[illegible]	[illegible]	[illegible]	[illegible]
Norway	10.87-10.95	10.87½-10.89½	[illegible]	[illegible]	[illegible]	[illegible]
France	10.84-10.89	10.86½-10.87½	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	10.48-10.56	10.48½-10.49½	[illegible]	[illegible]	[illegible]	[illegible]
Japan	410-415	411¼-412¼	[illegible]	[illegible]	[illegible]	[illegible]
Austria	29.97-30.27	30.00-30.05	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	3.43½-3.46½	3.44¼-3.45¼	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc [illegible]. Six-month forward dollar [illegible]. 12-month [illegible].

THE DOLLAR SPOT AND FORWARD

Dec 16	Day's spread	Close	One month	p.a.	Three months	p.a.
UK†	1.8840-1.9000	1.8865-1.8880	0.43-0.33c pm	[illegible]	[illegible]	[illegible]
Ireland†	1.5630-1.5710	1.5640-1.5670	[illegible]	[illegible]	[illegible]	[illegible]
Canada	1.1900-1.1915	1.1903-1.1907	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	2.4775-2.4880	2.4830-2.4840	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	37.62-37.95	37.85-37.89	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	7.3450-7.3700	7.3500-7.3600	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	2.2640-2.2840	2.2765-2.2775	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	65.20-65.70	65.30-65.60	[illegible]	[illegible]	[illegible]	[illegible]
Spain	97.15-97.55	97.30-97.40	[illegible]	[illegible]	[illegible]	[illegible]
Italy	1,211-1,214	1,211-1,213	[illegible]	[illegible]	[illegible]	[illegible]
Norway	5.7625-5.7680	5.7625-5.7700	[illegible]	[illegible]	[illegible]	[illegible]
France	5.7375-5.7690	5.7600-5.7650	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	5.5560-5.5600	5.5550-5.5600	[illegible]	[illegible]	[illegible]	[illegible]
Japan	217.00-218.70	218.05-218.15	[illegible]	[illegible]	[illegible]	[illegible]
Austria	15.89-15.95	15.90-15.91	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	1.8150-1.8450	1.8270-1.8280	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

Dec. 16	Bank of England Index	Morgan Guaranty Changes %
Sterling	90.2	-33.4
U.S. dollar	107.2	[illegible]
Canadian dollar	88.5	-16.5
Austrian schilling	116.8	[illegible]
Belgian franc	106.7	[illegible]
Danish kroner	87.4	[illegible]
Deutsche mark	121.7	[illegible]
Swiss franc	152.2	[illegible]
Guilder	114.7	[illegible]
French franc	80.4	-14.5
Lira	55.4	[illegible]
Yen	146.6	+41.2

Based on trade weighted changes from Washington agreement December, 1971. Bank of England index (base average 1975=100).

CURRENCY RATES

[illegible]

OTHER CURRENCIES

[illegible]

† Rate given for Argentina is the commercial rate. [illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU December 16	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	40.7572	41.1287	+0.91	+0.16	±1.5368
Danish Krone .	7.91117	7.93358	+0.28	−0.47	±1.6412
German D-Mark	2.40989	2.44975	+1.65	+0.90	±1.1077
French Franc ...	6.17443	6.20374	+0.47	−0.28	±1.3733
Dutch Guilder ...	2.66382	2.67768	+0.53	−0.22	±1.5063
Irish Punt ...	0.684452	0.688046	[illegible]	[illegible]	[illegible]
Italian Lira ...	1300.67	1304.78	+0.32	−0.32	±4.1229

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

Sterling/ECU rate for December 16 .... [illegible]

EXCHANGE CROSS RATES

Dec. 16	PoundSterling	U.S. Dollar	Deutschem'k	Japan'se Yen	FrenchFranc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.887	4.298	411.8	10.87	3.448	4.695	2290.	[illegible]	71.90
U.S. Dollar	0.530	1.	2.277	218.2	5.760	1.827	2.488	1213.	[illegible]	[illegible]
Deutschemark	0.233	0.439	1.	95.81	2.529	0.802	1.092	532.9	[illegible]	[illegible]
Japanese Yen 1,000	2.429	4.585	10.44	1000.	26.40	8.373	11.40	5562.	[illegible]	[illegible]
French Franc 10	0.920	1.736	3.954	378.8	10.	3.172	4.319	2107.	[illegible]	[illegible]
Swiss Franc	0.290	0.547	1.247	119.4	3.153	1.	1.362	664.2	[illegible]	[illegible]
Dutch Guilder	0.213	0.402	0.915	87.70	2.315	0.734	1.	487.8	0.479	[illegible]
Italian Lira 1,000	0.437	0.824	1.877	179.8	4.747	1.505	2.050	1000.	0.982	[illegible]
Canadian Dollar	0.444	0.839	1.910	183.0	4.832	1.532	2.087	1018.	1.	[illegible]
Belgian Franc 100	1.399	2.640	6.010	575.9	15.20	4.822	6.566	3203.	3.147	[illegible]

FT LONDON INTERBANK FIXING (11.00 a.m. DECEMBER 16)

3 months U.S. dollars		6 months U.S. dollars	
bid 12 15/16	offer 13 1/16	bid 13 15/16	offer 14 1/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Dec. 16	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	14¾-15	11⅞-12⅛	14-15	10¾-10⅞	3½-4	10⅝-10⅝	15⅛-15⅝	17½-19½	—	6¼-6¾
7 days' notice	15-15¼	12-12¼	14-15	10¾-10⅞	3¾-4¼	10⅝-10⅝	15⅛-15⅝	19½-22½	—	6¼-6¾
Month	15¼-15⅝	12¾-13	16½-16⅛	11-11⅛	9⅞-10	11-11⅛	15¾-16¼	21⅝-23⅛	68-81	6¼-6¾
Three months	15⅞-15⅞	13⅞-13⅛	16⅜-16¾	11⅛-11⅛	9½-9⅝	10⅞-10⅞	17 17⅛	22⅞-25¾	37¾-43⅛	6¾-6¾
Six months	15⅝-15⅞	13⅞-14⅛	16½-16⅞	11⅛-11¼	9⅞-9⅞	10⅝-10¾	18-18½	23⅝-24⅜	39-34	6⅞-7
One Year	15⅛-15¼	13⅞-14⅛	16½-16⅞	11⅛-11⅛	8⅝-8¾	10⅛-10⅛	18½-19	23⅜-24⅜	23-29	6⅞-7

SDR linked deposits: one-month 12⅝-12⅞ per cent; three months 12½-12⅞ per cent; six months 13-13⅛ per cent; one-year 13⅛-13⅞ per cent.

ECU linked deposits: one-month 15⅝-16⅛ per cent; three months 15⅝-16 per cent; six months 15⅞-16⅛ per cent; one-year 15¾-16⅛ per cent.

Asian $ (closing rates in Singapore): one-month 12⅞-13 per cent; three months 13⅛-13¼ per cent; six months 13⅞-14 per cent; one year 14⅛-14⅛ per cent.

Long-term Eurodollar two years 14⅞-15⅛ per cent; three years 15-15⅛ per cent; four years 15⅛-15⅛ per cent; five years 15⅛-15⅛ per cent nominal closing rates.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 12.65-12.75 per cent; three months 12.70-12.80 per cent; six months 13.40-13.50 per cent; one-year 13.70-13.80 per cent.

MONEY MARKETS

London rates fall

London clearing bank base lending rates 14½ per cent (since December 4)

Short-term interest rates fell in the London money market yesterday amid signs that the authorities had succeeded in relieving the immediate pressure on bank base rates. Seven-day interbank money—a key rate in determining the level of base rates—fell to 14¾-15¼ per cent from 15-15¾ per cent and three-month declined to 15⅜-15½ per cent from 15⅞-15⅞ per cent. Discount houses buying rates for three-month eligible bank bills fell to 14½-14⅝ per cent from 14⅞ per cent and for three-month Treasury bills to 14⅜ per cent from 14⅞ per cent.

The market was encouraged by the attitude of the Bank of England in buying band 4 bills of very long maturity to aid liquidity on Tuesday and by the level of 14⅞ per cent at which the authorities bought bills yesterday in line with the recent lowest official dealing rate.

In the interbank market overnight loans opened at 14⅞-15 per cent and touched a peak of 15⅞-15½ per cent before falling sharply to 5-7 per cent at the close.

Flat conditions were forecast by the Bank of England and the main factors were expected to be: bills maturing in official hands −£205m and a rise in the note circulation of −£145m, roughly offset by Exchequer transactions of +£290m.

The authorities did not intervene in the morning but gave assistance of £71m in the afternoon by buying £4m bank bills in band 1 (up to 14 days maturity) at 14⅞ per cent and £67m bank bills in band 2 (15-33 days maturity) at 14⅞ per cent.

In Frankfurt no decisions on credit policy are expected at today's central council meeting of the Bundesbank, and no press conference will be held. At the last meeting, two weeks ago, the special Lombard rate was reduced by ½ per cent to 10½ per cent. The special Lombard facility remains open today at an unchanged level, and it seems likely that commercial banks have sufficient funds to meet year-end requirements, thanks to currency repurchase arrangements with the authorities.

In Dublin the Central Bank of Ireland allotted I£15m Exchequer bills at yesterday's tender at an accepted bid was I£95.70, and average discount rate of 17.2152 per cent and an average yield of 17.9872 per cent. The lowest next week a further I£15m will be on offer.

GOLD

Slight rise

Gold rose $2 an oz from Tuesday's close in the London bullion market yesterday to close at $416-417. It opened at $419½-420½ and was fixed during the morning at $418 and $416.75 in the afternoon, having touched a best level of $420-421 and closing at its lowest level of the day.

In Paris the 12½-kilo bar was fixed at FFr 78,500 per kilo ($424.18 per oz) in the afternoon compared with FFr 78,500 ($423.89) in the morning and FFr 78,00 ($420.82) on Tuesday afternoon.

In Frankfurt the 12½-kilo bar was fixed at DM 30,720 per kilo ($420.01 per oz) against DM 30,395 ($414.98) previously and close at $416½-417½ from $413-414.

In Luxembourg the dollar per oz equivalent of the 12½-kilo bar was $418.9 compared with $414 on Tuesday.

In Zurich gold finished at $416-419 compared with $412-415.

	Dec. 16		Dec. 15	
Gold Bullion (fine ounce)				
Close	$416-417	(£220-220½)	$414-415	(£219-219½)
Opening	$419½-420½	(£221¾-222¼)	$415-416	(£221¼-221¾)
Morning fixing	$418	(£221.106)	$413.25	(£220.142)
Afternoon fixing	$416.75	(£220.153)	$413.25	(£219.580)
Gold Coins				
Krugerrand	$429½-430½	(£227½-228)	$427-428	(£226¼-226¾)
1/2 Krugerrand	$221-222	(£117-117½)	$220-221	(£116¾-117)
1/4 Krugerrand	$112½-113½	(£59½-60)	$112-113	(£59½-60)
1/10 Krugerrand	$46-47	(£24¼-24¾)	$45¾-46¾	(£24¼-24¾)
Mapleleaf	$430½-431½	(£228-228½)	$427½-428½	(£226¾-227¼)
New Sovereigns	$102-102½	(£54-54¼)	$101¾-102¼	(£54-54¼)
King Sovereigns	$116-117	(£61¼-61¾)	$115-116	(£61-61½)
Victoria Sovs.	$116-117	(£61¼-61¾)	$115-116	(£61-61½)
French 20s	$101-111	(£53½-58¾)	$100-110	(£53-58¼)
50 pesos Mexico	$515-518	(£272¾-274¼)	$512-515	(£271½-273)
100 Cor. Austria	$404-408	(£214-216)	$402-406	(£213¼-215¼)
$20 Eagles	$510-515	(£270-272¾)	$509-514	(£269¾-272½)

MONEY RATES

NEW YORK

Prime rate	15½-15¾
Fed funds	12⅝-12¾
Treasury bills (13-week)	10.75
Treasury bills (26-week)	11.26

GERMANY

Special Lombard	10.50
Overnight rate	10.55
One month	11.20
Three months	10.70
Six months	10.40

FRANCE

Intervention rate	15.125
Overnight rate	15.625
One month	15.4375
Three months	15.5
Six months	15.5625

JAPAN

Discount rate	5.5
Call (unconditional)	[illegible]
Bill discount (three-month)	[illegible]

LONDON MONEY RATES

Dec. 16 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	5-15½	14⅞-15	—	—	14¼-15¼	14-14½	—	—	—
2 days notice	—	—	15-15½	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	14¾-15⅛	15-15⅛	—	—	—	—	—	—	—
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15⅛-15⅜	14⅛	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Local authorities and finance houses seven days' notice, others seven days fixed. [illegible]

Finance Houses Base Rates (published by the Finance Houses Association): 16 per cent from December 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice [illegible]. Treasury Bills: Average tender rates of discount 14.5801.

WORLD STOCK MARKETS

Easier early Wall St trend

AFTER TUESDAY'S steadier performance, Wall Street reverted to an easier course early yesterday in a fair business.

Monte Gordon, of Dreyfus Corporation, said the market is still coming under pressure from events in Poland and Israel and lack of movement in U.S. interest rates, but there is no "agressive selling" in the face of those problems.

The Dow Jones Industrial Average declined 5.90 to 870.05 at 1 pm, while the NYSE All Common Index slipped 29 cents to $71.06 and falls led rises in the ratio of seven-to-five. Trading volume totalled 29.36m shares, almost matching the previous day's 1 pm level of 29.62m.

Most issues showed only fractional changes. **Transworld** was the volume leader, unchanged at $14⅜. A block of 704,100 shares was traded at $14⅜, accounting for most of the turnover.

Phillips shed ⅜ more to $41⅞ in active trading, still on reports of disappointing results from its Ivory Coast drilling programme.

Avon Products lost $1 to $30¼, while **Mallinckrodt**, the company it plans to acquire for $750m was quoted at $49⅛ bid to $49¼ offered.

Itek advanced 1¼ to $21¾. The company plans to spin off its Camelot subsidiary. **Amax** rose 1⅞ to $46¼. The stock fell $4⅞ on Tuesday after announcing that it plans to curtail molybdenum production.

THE AMERICAN SE Market Value Index shed 0.40 to 317.40 at 1 pm. Volume 3.08m shares (2.96m).

Canada

Markets made a mixed showing at mid-day after active dealings.

The Toronto Composite index was up 1.6 at 1,937.0, but declining issues outscored gains by 210 to 180. Nine of the 14 indices rose, with Golds putting on 24.9 to 3,174.5, but Oil and Gas lost 10.4 to 3,702.0.

Nuala Beck, head of research of Pitfield McKay Ross, said the recession continues *to* be the biggest worry, and "no one is pressing the panic button" over the problems in Poland.

Tokyo

After tending to recover *further* ground yesterday morning on the yen's recent better performance against the U.S. dollar and the *overnight* steadier Wall Street stock market, the Tokyo market slipped back *to end on* a mixed note.

Uncertainties over the Polish situation and the Golan Heights annexation by Israel overshadowed sentiment later.

The *Nikkei-Dow Jones Average*, which retrieved 26.72 on Tuesday, closed 6.24 easier yesterday at 7,674.65, but the Tokyo SE index finished 0.29 harder at 564.27. A moderate volume of 300m shares was recorded, but this was above the previous day's 230m.

Some Precision Instruments were still ahead on the day, Canon gaining Y12 at Y927 and Olympus Y60 at Y1,070.

Mixed Light Electricals had Sony down Y40 at Y3,330 but TDK Electric Y60 stronger at Y3,340.

Heavy Electric Machine issues **Hitachi**, Y649, and **MHI**, Y237, were each Y4 higher, while *Motors were noteworthy for rises* of Y15 apiece in **Honda**, Y775, and Nissan, Y785.

Elsewhere, Kyoto Ceramic, up Y230 the previous day on speculation about new ceramic developments, lost Y50 to Y3,680.

Oils further retreated, with Nippon down Y60 at Y1,200 and Teikoku Oil Y14 to Y848.

Germany

Initial buying orders from abroad dried up and the market subsequently met light professional selling, with prices finishing lower for choice on the day after a modest business.

Daimler, in Motors, improved afresh to DM 307.80, declined to DM 303 for a loss on the day of DM 2.50.

Stores, hurt by poor Christmas sales, closed at or near their day's lows, with **Karstadt** at DM 192, down DM 5, **Kaufhof** at *DM 146, off DM 3 and* **Horten** at DM 116.20, having weakened DM 2.80.

Construction companies were apparently unaffected by news of an investigation into bidding practices, and **Holzmann**, which said it is being investigated, gained DM 2 to DM 390.

Domestic Bond prices were mixed with an easier bias in quiet trading.

Paris

Bourse prices tended higher in moderate trading, reflecting continued demand ahead of the year's end to benefit from tax concessions under the Monory Law.

Yesterday's ¼ of a point cut in the Call Money rate to 15⅜ per cent also helped sentiment, while events in Poland made no apparent impact.

Banks, Electricals, Foods, Oils and Chemicals showed the clearest gains, while others to improve included **Peugeot**, FFr 3.1 firmer at FFr 163.1, and *Air Liquide, up FFr 5.1 at* FFr 460.

Creusot-Loire, which on Tuesday signed a FFr 1.3bn contract in connection with the planned new Soviet gas pipeline, rose FFr 3 to FFr 49.

Australia

Most shares moved within a narrow range all day in very thin trading and closed mixed to easier

Some of the operators of the Jackson No. 1 oil well discovery in the Cooper Basin partially recovered yesterday after Tuesday's setback. **Claremont** picked up 5 cents to A$1.25, **Santos** 20 cents to A$6.40 and **CSR** 17 cents to A$3.92.

Elsewhere in the Oil and Gas sector, however, **Bridge** declined 20 cents to A$4.30, **Alliance Oil** 4 cents to A$1.71 and **Magellan** 40 cents to A$4.50.

Among Gold Minings, **GMK** receded 20 cents more to A$6.30, while **Central Norseman**, A$7.10, and **Peko-Wallsend**, A$5.50, were each 10 cents lower.

Firm spots in Minings *included* **Pancontinental**, A$2.70, **CRA**, A$2.95, and **Western Mining**, A$4.15, which improved 5 cents apiece, but Coal issue **UMAL** dipped 10 cents to A$2.15.

The few active stocks included **ARC**, up 5 cents at A$3.05 after a turnover of 1.4m shares, and **Nylex**, which closed steady at A$1.90 after early deals at A$2.00.

Hong Kong

The market closed the half-day Wednesday session slightly lower, with the Hang Seng nidex down 5.03 at 1,376.15.

Trading was very subdued, mainly because of the Polish crisis, and turnover on the four exchanges was a mere HK$119.91m

There was some buying interest in **Jardine Matheson** which closed 20 cents up at HK$18.80 and in **Hutchison Whampoa**, 10 cents firmer at HK$17.70, but most other leaders were unchanged or slightly lower.

Elsewhere, **Hang Seng Bank** lost HK$1 at HK$126, but a bright exception was **Hongkong Hotels** which gained 50 cents to HK$52.50.

Singapore

Share prices picked up on late bargain hunting to end on a mixed note, following a wave of selling earlier in the afternoon prompted by unconfirmed reports *that Soviet transport planes had* landed in Warsaw overnight.

Malayan Bank put on 15 cents to S$7.30, **Oversea Chinese Bank** 20 cents to S$11.20 and **Public Bank** 40 cents to S$8.50, but **Taiping Textiles** *shed 16 cents to* S$3.50, **Genting** 10 cents to S$5.50 and **Hong Leong Finance** 15 cents to S$7.55.

Johannesburg

The market was closed yesterday for the Day of the Covenant holiday.

Closing prices for North America were not available for this edition.

JOBS COLUMN

Even snobbery is better than sheepishness

BY MICHAEL DIXON

SOMETIMES even without aid of alcohol recruiters will confess a trade secret. It is that the abilities and experiences they openly list as requirements are more than often not enough to get an applicant the job.

Certainly a candidate will be promptly dropped if lacking a given minimum of the attributes listed. But no combination nor even the lot of them will be sufficient. The decisive factor is something more closely personal. As a general rule the higher the job in status the more crucial this something will be, despite its evident irrelevance to the work in question.

Inquiries about posts just below Board-level have disclosed unwritten but absolute requirements for "someone married and religiously opposed to divorce" and for commitment to amateur dramatics—presumably outside the office. I have heard of directorships ultimately dependent on traits such as enthusiasm for the Turf and bloodstock, and elegant table manners.

These examples have been told to me only in private. When the decisive somethings need to be mentioned publicly the most explicit term in use seems to be "body chemistry." If this is intended as a euphemism, it is a poor one. It would probably have given more Victorian gentlewomen the vapours than any clear description of the personal traits it serves merely to obscure.

More commonly, however, the true nature of the required traits is buried altogether under gobbledegook. A prime instance is the statement I quoted three weeks ago from a representative of the graduate-recruiting fraternity. What they were looking for, he said, were "personal qualities such as motivation, ability for original thought and ability to get at and solve real problems."

All that mouthful can mean, when picked clean of its pseudo-science, is that the graduate-recruiters are seeking people like themselves and their company colleagues; or at least not sufficiently unlike themselves to impose a strain on working relations. Such congeniality is obviously important in employing organisations, and it is only relatively lately that they appear to have become sheepish about it.

When Sir Frederic Hooper wrote about selecting managers in 1948, for example, he made no bones about the importance of the "people-like-us" criterion.

"The quality of acceptability ranks high where management is concerned, whether in business or elsewhere. Appraisal accordingly covers general personal appearance: absence of unpleasing mannerisms: the existence of pleasing ones; the absence of disturbing or flamboyant traits of character. It takes account of how the candidate gets on with others, and whether he has poise and is at ease in company."

By comparison with today's vapid, quasi-objective twitterings about initiative, self-confidence and suchlike, Sir Frederic's prescription may seem subjective and laden with outmoded snobberies and biases. But all that has really happened since he wrote is that these have been replaced by more fashionable snobberies and biases on the part of employers, many of which they have become too pusillanimous to admit.

Only certain inmates of mental homes, educational institutions and political or religious cells would even hope for a world where recruitment was not swayed by some people-like-us preference among influential employees already in place. The consequent benefits by way of smooth working may well outweigh the costs of excluding the occasional greater although disruptive talent.

This is not always so, of course. Some might argue, for instance, that the senior Civil Service's fixation on recruiting in its established image is primarily responsible for its officials' inability to comprehend what most of the people they're supposed to serve want. How to solve that problem is something neither this column nor evidently any recent Prime Minister knows. But among organisations which have to earn their keep in competition with others, it seems likely that stultifying snobbery will eventually collapse under pressure from other snobberies more appropriate to the times.

The present sheepishness may arise from fear among the flock that these quirks may seem socially unacceptable. No doubt they are so when their result is inappropriate discrimination against accidentally and permanently imposed traits such as sex, race and—to my mind—age and irrelevant handicaps.

Otherwise, however, social acceptability surely demands that employers admit people-like-us preferences and so give candidates who want the job enough a fair chance to learn the tricks wanted. The prizing of fine table manners is nothing to be ashamed of. The only shame lies in having such convictions but not the courage to acknowledge them openly.

Board trio

NOW, since this is the last Jobs Column before Christmas, to what consultant Christopher West calls a "holy trinity" of directors whom he seeks to work in London for a distribution group with £100m turnover. He may not name his client and so guarantees that any applicant who so requests will not be identified to the employer without specific permission.

One recruit will be a finance director with experience in manufacturing and skilled in matters of tax and foreign currency, commercial negotiation and managing a clutch of accountants. Another will combine ability to run a transport depot with knowledge of computer-based activities, such as operational research, and be director of transport and management services. The third will be director of commercial operations with success in developing profitable business while controlling a complex of international trading activities.

Salary indicators £23,000. Cars among perks. Inquiries to Mr West at Courtenay Personnel, 11 Maddox Street, London W1R 9LE; telephone 01-491 4014, telex CSI 268312.

Marketing

DERMOT HOARE of Eurosurvey wants a manager experienced in multi-country marketing of industrial-consumer products. Based in the northern half of England the newcomer will be director of sales and marketing for the European operations of a subsidiary of a world-wide group. Unable to name it, Mr Hoare gives the usual promise of confidentiality to applicants.

All told, the sales and marketing activities employ more than 500 people and generate turnover of £100m-plus. The new director will report to the chief executive and rule the marketing domain through several regional managers. Numerous short trips throughout Europe will be required and fluency in appropriate languages other than English would be helpful. So would a master's degree in management.

Salary and bonuses of about £30,000, plus car. Inquiries to Dermot Hoare at 43-44 Albemarle Street, London W1X 3FE; tel. 01-409 1381, telex 925859 Elwood G.

Scotch abroad

AND LASTLY, since the column won't be back until after Hogmanay, to recruiter Bill Thomson in Glasgow who wants a senior sales specialist experienced in Latin American markets to maintain and develop the established position there of Old Parr Scotch Whisky. Based at the Edinburgh headquarters of Macdonald Greenlees, the new export area manager will spend about two-fifths of the time in visits to the territory. Fluency in Spanish is essential.

So is a fine, if not limitless taste for Scotch, I'm told.

Mr Thomson thinks that the job, although demanding, would suit older people seeking a second career, which may explain why the salary indicator is £12,000.

Inquiries to him at Selection Thomson, 15 North Claremont Street, Glasgow G3 7NR. Telephone 041-332 9595.

Investment Management

Scottish Amicable, a leading mutual Life Assurance Society based in Glasgow, is seeking a fund manager to join its investment team.

The job requires a general knowledge of economics, investment markets and pensions and will entail the prospective jobholder in meetings with the senior management of companies whose funds the Society manages. The successful candidate will be expected to be able to contribute investment expertise and must be personable and articulate and is likely to hold a professional qualification or degree.

He or she should be aged between 28 and 40 and have spent several years in institutional investment.

The salary offered will be in excess of £16,500 and generous mortgage facilities, a car, pension scheme and other benefits are also included.

For an application form please contact:

The Staff Manager
Scottish Amicable Life Assurance Society
150 St Vincent Street
GLASGOW
G2 5NQ

SCOTTISH AMICABLE
LIFE ASSURANCE SOCIETY

GALLOWAY & PEARSON

Are looking for someone to join their South African orientated international room, to co-ordinate research material and sell to institutional and other clients. The ideal candidate, male or female, will have experience of both the South African and North American mining markets. Career prospects are excellent and a competitive salary and bonus will be offered.

Applications in writing to:
D. H. Starling,
GALLOWAY & PEARSON,
Warnford Court, Throgmorton Street,
London EC2N 2AU.
will be treated in strictest confidence

CHARTERED ACCOUNTANT

(25 - 35)

required to take full charge of all company accounting. Computer experience essential. N.W. London.

Circa £10,000

Write Box A7706, Financial Times 10 Cannon Street, EC4P 4BY

DRI

Data Resources Inc. requires a

SENIOR CONSULTANT

To be responsible for supporting some of its UK based clients. This position, which carries day to day contact with all levels of management, requires the ability to work independently, to respond effectively to clients needs connected with their use of DRI's software, data and forecasts, and to develop projects in conjunction with client management.

The successful candidate should have a degree in economics and severals years work experience in either the banknig or company sector. A further degree in economics or a qualification in econometrics and/or programming would be a distinct advantage.

The position offers forecasting and analytic facilities that are probably unequalled. The successful applicant will work in a well qualified and highly motivated team, drawing on the richest and most timely collection of economic databases, superior analytic software developed by DRI, and ample computing resources.

Salary, which includes a bonus, is expected to be around £11,000, but will, in any event, reflect candidate's experience and qualifications.

Please reply in confidence to:
Miss Alice Barker
DRI Europe Ltd
30 Old Queen St, London SW1

EXPERIENCED INTERNATIONAL CONFERENCE AND EXHIBITION ORGANISER

(female), previous assignments throughout Europe; full command German, French, English, Italian, seeks challenging assignments with market analysis. Free to travel anywhere.

Write Box A7648, Financial Times 10 Cannon Street, EC4P 4BY

International Appointments

ERI

Specialists in recruitment for the Middle East

General Manager

Insurance — **Middle East**

Our client, one of the leading and fastest growing insurance companies in the Gulf, is seeking an experienced and energetic executive who is capable of reviewing constructively the Company's administration and procedures prior to taking over as General Manager early in 1983. This is a challenging and rewarding career appointment for the right person in a fast moving economy in a safe and very pleasant part of the Gulf.

Candidates must have a minimum of ten years' underwriting experience, preferably as a "generalist", including fire, motor and marine; ACII or equivalent. Some overseas experience, especially in the Middle East, would be an advantage.

A generous tax-free remuneration package is being offered to include free housing, medical, educational assistance, car, leave, etc. Interviews will take place in London early January.

There are other vacancies within the same company at a more junior level.

Please write in strict confidence giving details of age, qualifications and experience, quoting reference 6/GM/FT/PM/B to Michael Berger, F.C.A., Managing Director, Executive Resources International, Management Consultants, 87 Jermyn Street, London SW1Y 6JD.

CREDIT CARD OPERATIONS MANAGER

The Gulf Bank KSC

One of the leading Kuwaiti commercial banks will soon be handing all their card processing in-house.

There is an immediate opportunity for an experienced Card Operations Manager at their Head Office in Kuwait. The successful applicant must have a thorough knowledge of all aspects of card processing with particular emphasis on international settlements. This is a ground floor opportunity for the chosen individual to build his own future. Salary and benefits are excellent.

If you feel you have the qualifications and can meet the challenges of the job, please send your complete c.v. and a recent photograph to the:

Gulf Bank
Representative Office
1 College Hill
London EC4R 2RA

GRACE

is a major multinational company

At the European Headquarters of its Technical Products Division in Paris the Vice-President Marketing has staff openings with dynamic career opportunities for

EUROPEAN MARKET MANAGERS

in specialty product fields including adhesives, sealants, coatings and acoustic materials.

We are looking for people who can help us fully exploit our existing and potential markets through the development of Europe-wide strategic programmes. These will include the identification of substantial growth opportunities for existing and new products, the preparation of aggressive marketing plans, the search for potential acquisition candidates, and successful programme implementation through harnessing of our sales and marketing resources within the ten operating units of the Division located across Europe.

The ideal candidates, aged 28-35, have marketing or economics degrees or diplomas and several years of European sales and marketing experience in major industrial markets such as automotive, construction, electronics or graphic arts. In addition, experience in consumer-related activities linked to any of these industrial markets will be an advantage. Fluency in English is essential with a strong preference for German as a second language. As the positions have European scope, other language capabilities will obviously be an asset.

If you are a self-starter, have a professional marketing approach, and are committed to rapid career progression through successful achievement, please write with your curriculum vitae to:

The Personnel Manager
GRACE INDUSTRIAL CHEMICALS INC.
Rue Marterey 5
CH-1005 Lausanne

FINANCE MANAGER

SRI LANKA

Walkers is one of the largest companies operating in Sri Lanka and is well established in engineering and trading activities.

A Sri Lanka national is required to head the finance function of the company and be a part of the new dynamic top management team.

Applicants should be qualified Chartered Accountants with experience of independently managing the finance functions of a large establishment and should be around 40 years of age. He should be able to control the company's finances, effectively liaise with our bankers, implement new systems and motivate a large number of personnel. This is a senior position in the company, reporting directly to the Chief Executive.

Salary and fringe benefits will be very attractive and will include a company car.

Applications will be treated in strict confidence and should be sent with full career and personal details (including telephone number) to:

Box A.7705, Financial Times
10, Cannon Street, EC4P 4BY

ACCOUNTANT-OIL INDUSTRY

Our client, a major contractor to the leading oil companies throughout North Africa, now have a vacancy in:

Tripoli

The successful candidate will be involved in contract analysis, capital expenditure and evaluation and the production of management information. Previous experience in these fields in an oil or petro-chemical environment is desirable.

Applicants, who must be qualified, should be at least 27 years old and hold a current U.K. driving licence.

In addition to an attractive net salary the position carries the usual expatriate benefits.

Please telephone or write for an application form, quoting ref. U733, to: The Recruitment Manager.

TRANSWORLD TECHNICAL SERVICES LTD
Ridgeland House, 165/167 Dyke Road, Hove, Sussex BN3 1TL. Tel: Brighton (0273) 24921.

BULLION BROKER

A vacancy exists for an experienced bullion dealer to take a senior position in our new bullion broking venture in Hong Kong. Minimum requirements are 3-5 years dealing and management experience in the bullion markets. Very attractive salary and expatriate benefits will be offered to the successful applicant.

Please write or telephone to:—
Messrs. M. Wolf or J. Kramer,
Astley & Pearce (Metall) AG,
Talacker 41,
8001 Zurich, Switzerland
Tel: (010-411) 211-8342

COMPANY NOTICES

De Beers Consolidated Mines Limited

Incorporated in the Republic of South Africa

NOTICE TO HOLDERS OF PREFERENCE SHARE WARRANTS TO BEARER

PAYMENT OF COUPON NO. 145

With reference to the notice of declaration of dividend advertised in the press on 18th November, 1981, the following information is published for holders of share warrants to bearer.

The dividend of one rand (R1.00) per share was declared in South African currency. South African non-resident shareholders' tax at 11.147 cents per share will be deducted from the dividend payable in respect of all share warrant coupons leaving a net dividend of 88.853 cents per share.

The dividend on bearer shares will be paid on or after 5th February, 1982 against surrender of coupon No. 145 detached from share warrants to bearer as under:

(a) At the office of the following continental paying agents:

Banque Rothschild
21 rue Laffitte,
75009 Paris.

Banque Bruxelles Lambert,
2 rue de la Regence,
1000 Brussels.

Societe Generale de Banque,
3 Montagne du Parc,
1000 Brussels.

Credit Suisse,
Paradeplatz 8,
8021 Zurich.

Union Bank of Switzerland,
Bahnhofstrasse 45,
8001 Zurich.

Swiss Bank Corporation,
1 Aeschenvorstadt,
4002 Basle.

Banque Internationale a Luxembourg,
2 Boulevard Royal,
Luxembourg.

Payments in respect of coupons lodged at the offices of a continental paying agent will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the proceeds of the payment so made can only be given to such authorised dealer by the continental paying agent concerned.

(b) At the London Bearer Reception Office of Charter Consolidated P.L.C., 40 Holborn Viaduct, London EC1P 1AJ. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:

(i) in respect of coupons lodged prior to 22nd January, 1982, at the United Kingdom currency equivalent of the rand currency value of their dividend on 26th January, 1982, or;

(ii) in respect of coupons lodged during the period 22nd January, 1982, to 27th January, 1982, both days inclusive at the United Kingdom currency equivalent of the rand currency value of their dividend on 1st February, 1982, or;

(iii) in respect of coupons lodged on or after 28th January, 1982, at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the London Bearer Reception Office.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10 a.m. and 3 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the London Bearer Reception Office, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 70 cents per share arrived at as under

	South African Currency Cents per Share
Amount of dividend declared	100.000
Less- South African non-resident shareholders' tax at 11.147%	11.147
	88.853
Less. U.K. income tax at 18.853% on the gross amount of the dividend of 100 cents	18.853
	70.000

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries
J. C. GREENSMITH

NOTE:

The Company has been requested by the Commissioners of Inland Revenue to state:

Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 18.853% instead of the basic rate of 30% represents an allowance of credit at the rate of 11.147%.

London Office:
40 Holborn Viaduct,
London,
EC1P 1AJ.
16th December, 1981.

De Beers
De Beers Consolidated Mines Limited

BRASILVEST S.A. SOCIEDADE DE INVESTIMENTO

D.L. No. 1401

NOTICE OF DIVIDEND PAYMENT

NOTICE IS HEREBY GIVEN that the administrative council of the company have resolved on the recommendation of the consultative council of the company that a dividend of cruzeires 4.07 per cruzeiro share should be paid in respect of the six-month period ended 30th September, 1981.

After deduction of Brazilian withholding tax at the rate of 15% and the depositary's expenses of US$0.01 per depositary share, the amount payable in respect of each depositary share (first series) is US$258.49 in respect of each depositary share (second series) is US$242.74 and in respect of each depositary share (third series) is US$206.57 and in respect of each depositary share (fourth series) US$192.98.

The dividend will be available on or after December 15, 1981 to holders of the relevant International Depositary Receipts on surrender of dividend coupon No. 11 attached to IDR's in respect of depositary shares (first series), of dividend coupon No. 10 attached to IDR's in respect of depositary shares (second series), of dividend coupon No. 7 attached to IDR's in respect of depositary shares (third series) and of dividend coupon No. 5 in respect of depositary shares (fourth series) at any of the paying agents:

MORGAN GUARANTY TRUST CY OF NEW YORK
— Brussels, 35, avenue des Arts.
— New York, 30, West Broadway.
— London, 1, Angel Court.
— Zurich, 38, Stockerstrasse SCH 8022

THE NIKKO SECURITIES CO. LTD.

Ordinary general meeting of shareholders

NOTICE IS HEREBY GIVEN that the 40th Ordinary general meeting of shareholders of the Nikko Securities Co. Ltd. will be held on Friday, December 18, 1981, at 11.00 a.m., in the hall of the 8th floor of the head office, at 3-1, 3-Chome, Marunouchi, Chiyoda-Ku, Tokyo, for the following purposes:

1. Approval of business report, balance sheet, profit and loss statement plan for appropriation of profits in respect of the 40th fiscal period (October 1, 1980-September 30, 1981)
2. Amendments of the articles of incorporation
3. Election of 19 directors
4. Election of 2 auditors
5. Presentation of condolence money to the late director Yoshio Haraikawa and of bonuses to retiring directors for their services rendered to the company
6. Change in the amount of remuneration of directors and auditors

Holders of EDR's issued by Morgan Guaranty Trust Cy of New York and representing depositary shares, who wish to have their shares voted at the above meeting must deposit their IDR's not later than December 15 at Morgan Guaranty Trust Cy of New York, 35, avenue des Arts, 1040 Brussels.

KOMATSU FORKLIFT CO., LTD.

(CDRs)

The undersigned announces that as from 4th January 1982 at Kas-Associatie N.V., Spuistraat 172 in Amsterdam and at Banque Générale du Luxembourg, 14 Rue Aldringen in Luxembourg, div.cp.no. 13 (accompanied by an "Affidavit") of the CDRs Komatsu Forklift Co., Ltd., repr. 1,000 shs. will be payable with US$17.54 net (div. per record-date 30.9.1981; gross Yen 4.5 p.sh.) after deduction of 15% Japanese tax = Yen 675,- = $3.09 per CDR.

Without an Affidavit 20% Jap.tax (= Yen 900,- = $4.13) will be deducted.

After 30.4.1982 the div. will only be paid under deduction of 20% Jap tax with $16.50 net, in accordance with the Japanese tax regulations.

AMSTERDAM DEPOSITARY COMPANY N.V.
Amsterdam, 10th December 1981.

UNION DES BANQUES ARABES ET FRANCAISES— U.B.A.F.

Loan of U.S.$25,000,000

Floating Rates 1977/1982

Bondholders are hereby informed that the applicable rate for the ninth period of interest has been fixed at 13$\frac{1}{16}$%.

Coupon No. 9 will be payable as from June 9, 1982 at a price US$66.04 which is a 13$\frac{1}{16}$% interest worked out on a basis of 182/360th covering the period from December 9, 1981 to June 8, 1982 inclusive.

The Fiscal Agent
CREDIT LYONNAIS—LUXEMBOURG.

OLD COURT DOLLAR COMMODITY TRUST

(CDRs)

The undersigned announces that the Report for the half-year ended 21st October 1981 of Old Court Dollar Commodity Trust will be available in Amsterdam at:

Pierson, Heldring & Pierson N.V.,
Algemene Bank Nederland N.V.,
Amsterdam-Rotterdam Bank N.V.,
Bank Mees & Hope N.V.,
and Kas-Associatie N.V.

AMSTERDAM DEPOSITARY COMPANY N.V.
Amsterdam, 10th December 1981.

PROVINCE OF MANITOBA

9½% 1975/1985 UA 30,000,000

NOTICE IS HEREBY GIVEN to Bondholders that, during the twelve-month period ending December 8, 1981 nominal UA 1,275,000 of above-mentioned Bonds have been purchased by the Province.

Outstanding amount: UA 27,330,000.
The Fiscal Agent, Kredietbank SA Luxembourgeoise.
Luxembourg, December 17, 1981.

The Fiscal Agent
KREDIETBANK S.A. LUXEMBOURGEOISE

CITY OF LEICESTER

Floating Rate Stock 1982

For the six months from 16th December 1981 to 16th June 1982 the interest rate on the above stock will be £16.3438% per annum.

Morgan Grenfell & Co. Limited

J. A. DEVENISH & COMPANY LIMITED

NOTICE IS HEREBY GIVEN that the TRANSFER BOOKS RELATIVE to the Company's Ordinary Shares will be closed from 9th January 1982 to the 22nd January 1982 (both dates inclusive) for the preparation of Dividend Warrants payable on 27th January 1982.

By Order of the Board
J. A. LUTHWAITE
Secretary

Trinity House,
15, Trinity Street,
Weymouth.
9th December 1981.

BANQUE NATIONALE DE PARIS

FLOATING RATE NOTE ISSUE OF U.S.$225 MILLION 1981/96

The Rate of Interest applicable for the period beginning December 11, 1981 and set by the Reference Agent is 13½% annually.

LEGAL NOTICES

IN THE ROYAL COURT OF GUERNSEY

MATRIMONIAL CAUSES DIVISION

To: ROBERT HAYDN MORLEY late of "Le Villocq," Le Villocq in the Parish of the Castel in the Island of Guernsey.

TAKE NOTICE that a Petition for Divorce by Sandra Morley has been filed affecting you and you may obtain full details from the Greffe, Royal Court House, Guernsey. If you have not communicated with the Greffe within one month of this Notice, the Court may proceed to hear the Cause in your absence.

K. H. TOUGH
Her Majesty's Greffier.

U.K. REGISTERED DESIGN NO. 1 000 733

WING KEUNG LIMITED, a Company organised and existing under the Laws of the Crown Colony of Hong Kong, of Flat A, 3/Fl Wah Mow Fty Bld., 202-204 Choi Hung Road, Kowloon, Hong Kong hereby give notice that they are the registered proprietors of a design of an electrical two-way adaptor. This design is registered in the United Kingdom under No. 1 000 733.

The rights of manufacture and sale in this design are exclusive to Wing Keung Limited. Warning is given that it is the policy of the proprietor to take prompt legal action to safeguard their rights.

D. YOUNG & CO.,
Chartered Patents Agents,
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London, WC1V 7RD.
Agents for the Registered Proprietor.

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THE GASLIGHT of St. James's. London's more interesting businessman's night club. 2 bars, restaurant, dancing, cabaret spots. Happy hour 8-9 pm with all bar drinks at half price. No membership required. Open Mon.-Fri. 8 pm-2 am, Sat. 9 pm-2 am — 4, Duke of York Street, SW1. Tel: 01-930 1648/4950.

APPOINTMENTS

Unilever changes

Mr A. H. C. Hill and Mr W. B. Blaisse will not seek re-election as directors of UNILEVER PLC and NV at the annual meetings in May. For the last four years Mr Hill has been regional director for the UK and Ireland and chairman of Unilever UK Holdings. He will be succeeded in those responsibilities by Mr P. V. M. Egan, while continuing with his present duties as director of Unilever's paper, plastics and packaging businesses. Mr Blaisse will be succeeded as regional director for continental Europe by Mr K. H. Veldhuis, previously director of research. At the annual meetings it is intended to nominate Sir Geoffrey Allen, the new head of Unilever Research, and Mr J. A. Houtzager, a member of Unilever overseas committee, as directors of both Unilever PLC and NV.

★

Mr D. H. Booth has been appointed chairman of BICC CABLES. Mr H. C. Woolley is appointed managing director responsible to Mr Booth who also retains his responsibility, as a director of BICC for corporate planning and development at group headquarters.

★

MORGAN GRENFELL HOLDINGS has made the following appointments to its international advisory council: Mr Albert V. Casey, chairman of the board and chief executive officer, American Airlines Inc.; M. Antoine Jeancourt-Galignani, chairman and chief executive, Banque de l'Indochine et de Suez S.A. (Indosuez); and Mr Keith W. Steel, chairman, Morgan Grenfell Australia.

★

The DEVELOPMENT CORPORATION FOR WALES has appointed Mr Geoffrey Hamilton as deputy manager of its Japan division. He will be responsible for developing and implementing the corporation's policies which are designed to attract overseas manufacturing industries to Wales.

★

OPTIBAL HOLDINGS has appointed Mr Ronald H. Kingett managing director. He succeeds Mr Albert Barker who becomes vice-chairman. A new member of the board is Mr Peter Woodrow, representing the company's institutional shareholders, the British Technology Group.

★

Mr J. H. Tolson will join the board of the BEN LINE STEAMERS on January 1.

★

Mr Ken Coulter has been appointed as marketing director of REDIFFUSION COMPUTERS.

★

Mr Mike Johnson has been appointed managing director of MULTIFABS.

★

Mr H. A. Whittall has been appointed to the board of APV HOLDINGS as a non-executive director from January 1.

★

Mr Stuart V. Jupp has joined the NASCO KARAOGLAN GROUP as a director of Nasco Insurance Brokers, London, and a vice-president of Nasco (North America) Inc, New York. He will be based in London.

★

The Energy Secretary has appointed Mr Martin Jacomb as a part-time member of the BRITISH GAS CORPORATION, for three years from December 11. He is vice-chairman of Kleinwort Benson.

Mr W. G. Jewers has been reappointed the member for finance of the corporation for a further period of three years from December 15.

★

Mr P. A. Barrett has been appointed to the board of TUBE INVESTMENTS from February 8.

★

Mr John Griffiths has been appointed as group technical director of INSTRON from January 1. He was formerly chief engineer.

Mr Albert Friend and Mr Ken Sandom have joined the board of MANCHESTER EXCHANGE TRUST as operations director and investment director respectively.

★

The Trade Secretary has reappointed Mr Colin Young as a member of the board of the NATIONAL FILM FINANCE CORPORATION for a period of not more than three years from January 15.

★

BRITISH ROAD SERVICES has made the following appointments to take effect on January 1: Mr L. W. (Bill) Atkinson becomes managing director north western; Mr R. F. (Bobbie) Burns, managing director eastern; and Mr Alan McPherson, managing director midlands. These moves are a result of the promotion of Mr Steve Abel from midlands to group manager director of Roadline and the resignation of Mr Ian Blundell, managing director north western.

★

BOSTON TRUST AND SAVINGS has appointed Mr Ed Borton as managing director. The company has also appointed two new directors to the board: they are Mr Graham S. Telford and Mr Constantin R. Boden. Mr Borton was a director and general manager, and Mr Telford was assistant general manager. Mr Boden is a senior vice president of The First National Bank of Boston and head of the European division of the bank based in London. Boston Trust and Savings is a licensed deposit-taking institution and a consumer finance subsidiary of The First National Bank of Boston.

★

MORE O'FERRALL has appointed Mr Peter Arnold Hall as group company secretary from December 18. He succeeds Mr R. J. W. Phillips, who retires as company secretary and a director on December 31. Mr Hall has also been appointed to the boards of subsidiary companies, Queensbury Signs, The Canton Property Investment Company and the Kildoon Property Company. Previously he was group company secretary of H. P. Bulmer Holdings. Mr Hall will also succeed Mr Phillips as company secretary of Adshel, an associated company, jointly owned by More O'Ferrall and London and Provincial Poster Group.

★

Six executive directors have been appointed by BANK OF AMERICA INTERNATIONAL in the London office. They are Mr Richard Bernstrom, executive director and regional investment banking officer, Scandinavia; Mr Gerald Doherty, executive director and head of syndication, London; Mr Jacques Favillier, executive director and regional investment banking officer, France/Benelux; Mr Ian Milne, executive director and head of mergers and acquisitions; Mr Michael Wellman, executive director and regional investment banking officer, Middle East; and Mr Gregg Byers, executive director and head of securities distribution, HSD.

★

Haynesville has completed the acquisition of United City Merchants. Mr J. E. A. Mocatta has relinquished his appointment as group managing director of United City Merchants and its subsidiaries. Mr R. N. A. Wood has been elected a director of UNITED CITY MERCHANTS and has been appointed chief executive and managing director. Since 1975 he has been finance director of Guthrie Berhad, Singapore.

★

Dr N. R. Clark has resigned as managing director of VICTOR WOLF. Mr Donald E. Seymour has joined the board as executive deputy chairman.

BASE LENDING RATES

A.B.N. Bank	14½%	Grindlays Bank	‡14½%
Allied Irish Bank	14½%	■ Guinness Mahon	14½%
American Express Bk.	14½%	■ Hambros Bank	14½%
Amro Bank	14½%	Heritable & Gen. Trust	14½%
Henry Ansbacher	14½%	■ Hill Samuel	§14½%
Arbuthnot Latham	14½%	C. Hoare & Co.	†14½%
Associates Cap. Corp.	15 %	Hongkong & Shanghai	14½%
Banco de Bilbao	14½%	Knowsley & Co. Ltd.	15 %
BCCI	14½%	Lloyds Bank	14½%
Bank Hapoalim BM	14½%	Mallinhall Limited	14½%
Bank of Cyprus	14½%	Edward Manson & Co.	15½%
Bank Street Sec. Ltd.	16 %	Midland Bank	14½%
Bank of N.S.W.	14½%	■ Samuel Montagu	14½%
Banque Belge Ltd.	14½%	■ Morgan Grenfell	14½%
Banque du Rhone et de la Tamise S.A.	15 %	National Westminster	14½%
Barclays Bank	14½%	Norwich General Trust	14½%
■ Beneficial Trust Ltd.	15½%	P. S. Refson & Co.	14½%
Bremar Holdings Ltd.	15½%	Roxburghe Guarantee	15 %
Bristol & West Invest.	16 %	E. S. Schwab	14½%
Brit. Bank of Mid. East	14½%	Slavenburg's Bank	14½%
■ Brown Shipley	15 %	Standard Chartered	‖14½%
Canada Perm't Trust	15 %	Trade Dev. Bank	14½%
Cavendish G'ty T'st Ltd.	15½%	Trustee Savings Bank	14½%
Cayzer Ltd.	15 %	TCB Ltd.	14½%
Cedar Holdings	15 %	United Bank of Kuwait	14½%
■ Charterhouse Japhet	15 %	Whiteaway Laidlaw	15 %
Choulartons	15½%	Williams & Glyn's	14½%
Citibank Savings	¶15 %	Wintrust Secs. Ltd.	14½%
Clydesdale Bank	14½%	Yorkshire Bank	14½%
C. E. Coates	15 %		
Consoliated Credits	15 %		
Co-operative Bank	*14½%		
Corinthian Secs.	14½%		
The Cyprus Popular Bk.	14½%		
Duncan Lawrie	14½%		
Eagil Trust	14½%		
E.T. Trust	15 %		
First Nat. Fin. Corp.	17 %		
First Nat. Secs. Ltd.	17 %		
Robert Fraser	15 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 12.50%, 1-month 12.75%. Short term £8,000/12 months 15.10%.
† 7-day deposits on sums of £10,000 and under 12½%, up to £50,000 13%, and over £50,000 13¼%.
‡ Call deposits £1,000 and over 12½%.
§ Demand deposits 12½%.
‖ 21-day deposits over £1,000 13½%.
¶ Mortgage base rate.

PROTECTED PORTFOLIO TRUSTS

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COMMODITIES AND AGRICULTURE

Lords report urges CAP reform

BY RICHARD MOONEY

THE EEC should resolve serious conflicts between its common agriculture policy (CAP) and other Community policies as they affect world food trade, according to a report† by a House of Lords Committee published today.

The Select Committee on the European Communities says it is perturbed at the number of apparent contradictions between the external effects of the CAP and the objectives of the Community's other external policies.

It notes in particular the contrast between the liberal trade policy for industrial products and the highly protectionist one for farm products.

"The CAP, in its current form, contradicts the Community's consistent support for liberal international trade, the aims of its policies to help developing countries, its proclaimed support for the objectives of the new international economic order and its public support for plans to achieve world food security, the report says.

The committee calls for the formulation of an explicit agriculture and food trade policy. "Only such an exercise—involving all the Directorates-General of the EEC Commission concerned—will start to identify and eliminate the contradictions in Community policies affecting its agricultural trade," it says. Now is the time for agood

But meanwhile the Government should bear a number of food trade policy matters in mind during negotiations on possible CAP reform.

The principle of self-sufficiency should be given less emphasis and proposals aimed at cutting surpluses welcomed, the committee suggests. In disposing of existing surpluses the interests of other exporters and the Community's GATT obligations should be taken into account.

Proposals for long-term export contracts should be regarded with caution as they might result in further distortion of trade patterns.

The Community should join the International Sugar Agreement. It should cut tariffs on food imports, processed and unprocessed, particularly where they compete only indirectly with Community produce, where Community production is seasonal, or where EEC self-sufficiency is low.

† Agricultural Trade Policy, HMSO, price £7.65.

Fund for flooded farmers

By Richard Mooney

A FLOOD disaster fund has been set up for the Somerset farmers facing ruin following the breaching of sea walls in Sunday night's gales.

After press and television coverage of their plight, switchboards at local National Farmers' Union offices were jammed yesterday by members of the public offering financial help. One lady reportedly offered between two and three thousand pounds.

This prompted the union to open the fund and Mr Dick Pearce, Somerset County Branch chairman, started the ball rolling with a cheque for £100.

Mr Tony Gibson, the county secretary, said 40-50 farmers had been affected by the flooding but the brunt had been borne by a handful who among them lost livestock worth at least £150,000. Other losses, through damage to buildings and equipment, spoiling of fertiliser stocks and hidden costs such as reduced milk yields following disruption of farm routines, will take the total much higher.

"The fund has been opened partly in response to public demand and partly because we do not expect any help from elsewhere," said Mr Gibson.

He did not expect the Government to contribute and doubted that a request for help from the EEC farm fund would be granted.

MARKET PROFILE: NAPHTHA

Falling demand and oil glut hit prices

BY A CORRESPONDENT

SPOT NAPHTHA trading volumes and prices provide one of the most sensitive indicators of the state of the petrochemical market and of the economy.

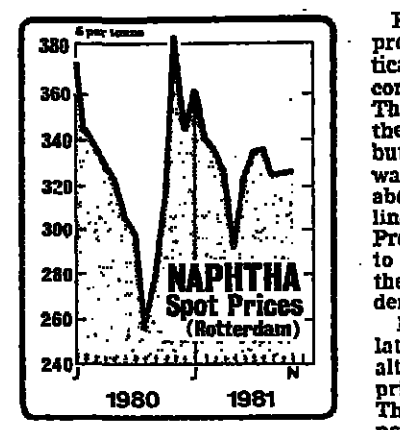
The fall in prices over the past year has been aggravated by the oil glut. A more serious factor has been reduced demand from the plastics industry, which like other manufacturing sector is reeling from the effect of the recession.

Naphtha itself is a relatively minor product of west European oil refiners, accounting for 20 per cent of crude oil consumption, compared with 45 per cent for fuel oil and 30 per cent for gasoil.

Most naphtha (65 per cent) is used for gasoline production, while the rest is absorbed by the west European petrochemical industry as feedstock. West European manufacturers buy most of their naphtha on contract. Yet the spot market, which accounts for only about 10 per cent of the feedstock traded, has historically influenced contract prices.

In past years the question uppermost in consumers' minds has been: "Is enough naphtha available?"

Three years ago naphtha prices were at their peak. Demand was high, supplies were short, and events in Iran were sending panic waves through the oil industry. The threat of a shortage of oil prompted consumers to stockpile and eventually naphtha prices began to fall.



When the Gulf War broke out in September 1980, the market was experiencing a different set of problems.

By this time, the effects of the recession had begun to take hold. Demand was no longer high and supplies were certainly not short, all of which cushioned the industry against Iranian crude cuts.

Spot prices did shoot up temporarily, but settled once the more pressing problems of west Europe's petrochemical industry became apparent. While Iran and Iraq wee fighting, the petrochemical industry has been battling with falling demand and falling prices.

In western Europe's petrochemical industry, most naphtha is used to produce ethylene. Some 75 per cent of the ethylene is then absorbed by the plastics industry.

By the start of 1981, ethylene production had dropped dramatically and the effect on naptha contract prices was inevitable. They remained unchanged for the first six months of the year, but in July were revised downwards to $337 a ton, a drop of about $23, bringing them into line with the low spot prices. Producers were no longer able to argue for higher prices in the face of poor derivative demand and the oil surplus.

Ethylene contracts during the latter part of this year have not altered dramatically, with prices currently around $728. This is reflected in current naphtha contracts, which are mostly unchanged at $337-340 a ton.

Naphtha spot prices, which are just under this level, illustrate the lethargic state of this market.

Ethylene demand is linked to the production of plastics, its chief use. Plastics are going through a lean period in western Europe. That means poor demand, surplus capacity and slack export markets, resulting in poor returns for producers.

For west European plastic producers, the effect has been devastating, with production just over half of installed capacity.

The prospects for the naphtha market are less than encouraging for the coming months. In the meantime, naphtha prices are likely to continue bouncing along the present economic trough.

Bigger surplus of grain seen

By Our Commodities Staff

THE U.S. Department of Agriculture (USDA) has raised its forecast of the 1981-82 world grain production surplus to 21m tonnes from the 20m projected a month ago. It now puts stocks at the end of June 1982 at 197m tonnes.

With world production of wheat, coarse grains and rice all expected to set records, total world grain production is projected to soar to 1.49bn tonnes, 80m more than in 1980-81. Meanwhile, usage of grain is expected to rise a relatively modest 21m tonnes to 1.47bn.

Big 1981 crops in most northern hemisphere countries have resulted in large supplies in exporting countries and reduced import needs in many grain importing countries, USDA said, in Washington, reports Reuter. It now forecasts world 1981-82 trade in grain at 222m tonnes, down 2m from the November estimate.

In its world grain circular, the department said sluggish world economic conditions had adversely affected the profitability of livestock feeding, while high carrying costs for grains have contributed to the general slackening of demand on the world market.

In addition, conditions appear favourable for a second consecutive large coarse grain crop in the southern hemisphere, further adding to surplus export availabilities, it added.

The Department cut its estimate for world coarse grain trade, citing lower than expected imports by the Soviet Union, the EEC, Japan, Mexico, and Brazil.

Lead and zinc advance strongly

BY JOHN EDWARDS, COMMODITIES EDITOR

LEAD and zinc prices advanced strongly yesterday, leading to a general rise in metal markets. On the London Metal Exchange, cash lead closed £14 up at £369.75 a tonne and cash zinc gained £15 to £451 a tonne. There were more modest increases for aluminium and copper, reflecting renewed concern about the situation in Poland.

Encouraging the upturn in lead and zinc was news that the A. M. and S. (Europe) smelter at Avonmouth, Bristol, had temporarily halted lead/zinc production because of a malfunction in the main blower furnace. However, it is hoped the fault will be repaired in a few days.

Meanwhile, a report issued today by Commodities Research Unit claims that present copper prices would not support economically any of the proposed new production projects.

It calculates that most known projects require a copper price of $1.15-$1.45 a pound, compared with present prices of below 80 cents.

As a result, the report adds, there could be very tight supplies and high, unstable prices in the mid-1980s. The report claims that net copper mine operational costs have rocketed in 1981, mainly because of the dramatic slump in prices or by-products from copper mines, which previously had helped offset the increase in wage and energy costs.

It estimates that the rise in earnings from by-products such as molybdenum, cobalt, gold and silver cut average net copper output costs by 3 per cent from 1976 to 1979, accounting for more than a third of operating costs.

More than 20 mines had net costs of less than 30 cents a pound, but most mines surveyed in the report had operating costs more than 50 per cent above this figure. Continuing high contributions from by-products (mainly gold and silver) restricted the rise in copper mining costs in 1980, but much higher net costs are expected for 1981, resulting in heavy losses for the world copper industry.

The report says total energy cost of producing a pound of refined copper rose by 250 per cent between 1973 and 1979. Low mine capacity utilisation due to weak demand added to costs.

End of restriction boosts tin sales

BY NANCY DUNNE IN WASHINGTON

REMOVAL of the rule that stockpiled silver and tin were to be sold for domestic use only has spurred buying of Government-owned tin but had no effect at all on what could be the General Services Administration's last silver auction for some time.

Stockpile officials yesterday gleefully announced the results of the second tin sale the previous day: 255 tons were told at $7.06 a pound. On Monday the agency disposed of 360 tons at $7.07 a pound, making it the briskest sale day since the tin auctions began in July 1980.

Gloom prevailed at the GSA over the silver sales, soon to be suspended as a result of an amendment to the congressional Defence Appropriations Bill, passed by both Houses on Tuesday.

Only three firms participated in Wednesday's silver auction, bidding for 1.16m ounces at prices ranging from $8.352 to $8.576. With the New York spot price at $8.6975 when the auction began, stockpile managers had to decide whether to accept bids below the market lows, a practice they have tried to avoid, or whether to raise money for the stockpile before the suspension goes into effect, when President Reagan signs the military authorisation bill.

The Agency has been authorised by Congress to sell 105m ounces of silver by 1984 to raise money which would have ultimately financed new stockpile purchases. Congress has budgeted about $57m for purchases in the next fiscal year, a third of which is expected to go for purchase of bauxite.

Commission details sugar tender

BRUSSELS—The EEC Commission yesterday authorised the export of 44,500 tonnes of white sugar at a maximum export rebate of 23.782 European currency units per 100 kilos. It also granted licences covering the sale of 30,000 tonnes of raw sugar at 19.99 ecus maximum rebate, reports Reuter.

In London dealers said the tender result was mildly bullish, with a slightly lower-than-expected white sugar rebate. They said the taking of 30,000 tonnes of raws was also encouraging since raws offtake rather than whites tended to indicate improved demand.

Futures prices finished 85p a tonne lower to 5p higher.

EEC acts on Irish poultry curbs

BY LARRY KLINGER IN BRUSSELS

IRELAND is being taken to the European Court over its animal health regulations, which it is alleged effectively ban the import of poultry and eggs from the rest of the EEC.

The European Commission said yesterday that it had been forced to take action against Ireland because it took Britain to court over similar legislation adopted by the UK three months ago.

The action against the Irish, however, is being taken reluctantly. It is recognised that Ireland's regulations are longstanding and that, in any case, Ireland is not traditionally a significant importer of these products.

In the British case, the Commission alleges that the so-called "turkey war" measures adopted by the UK at the beginning of September were intentionally discriminatory, aimed at preventing cheaper imports, especially from France.

The turkey war broke out when Britain introduced health regulations to control Newcastle disease (fowl-pest) based on the slaughter of infected flocks rather than by the blanket vaccination programme widely used throughout the EEC.

The move drew sustained protests from France, which had been expecting to sign substantial contracts for Christmas poultry sales in Britain. The Commission said late last month that it was taking Britain to the European Court for allegedly contravening EEC rules requiring the free movement of agricultural goods.

BRITISH COMMODITY MARKETS

BASE METALS

BASE-METAL PRICES gained on the London Metal Exchange reflecting fears over the course of events in Poland. Copper initially rose to £898 but encountered heavy trade selling and speculative liquidation which pared the price to £887.5 prior to a close of £890.5. Tin moved narrowly and closed at £8,155 with cash metal finally £8,350. Lead rose sharply to touch £390 on heavy stop-loss buying and trade demand but eased to close at £382.5 while reports of mechanical problems at the AM and S smelter at Avonmouth lifted Zinc to £462 before a close of £455. Aluminium was active and finally £637, after £647 and £635 while Nickel closed at £2,920.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
HighGrde	£	£	£	£
Cash	868-.5	+15.5	862-.5	+5
3 months	895.5-6	+19.2	889-.5	+8
Settlem't	870.5	+16	—	
Cathodes				
Cash	865	+8	857-9	+5
3 months	890-1	+11	889-.5	+11.7
Settlem't	866	+8	—	
U.S. Prod.	—		*79-84	

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £870.00, three months higher grade £895.00, 96.00, 97.00, 96.00, 95.50, 95.00, 95.50, 96.00, 97.00, 97.50, 96.00, 95.50, 96.00, 96.50, 97.00. Cathodes, cash £866.00. Kerb: Higher Grade, three months £896.00, 95.50, 95.00, 95.50. Afternoon: Higher Grade, three months £892.00, 92.50, 89.00, 90.00, 89.00, 89.50, 89.00, 89.50. Kerb: Higher Grade, three months £887.50, 88.00, 89.00, 89.50, 89.00, 90.00. Turnover: 21,100 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	8380-5	—85	8350-60	
3 months	8110-20	—115	8130-50	—47.5
Settlem't	8355	—30	—	
Standard				
Cash	8380-5	—35	8350-60	
3 months	8110-20	—115	8130-50	—47.5
Settlem't	8385	—35	—	
Straits E.	$36.12	+0.02	—	
New York	—			

Tin—Morning: Standard, cash £8,350, 60, 55, 50, 60, 50, three months £8,130, 20, 30, 20. Kerb: Standard, three months £8,120, 10. Afternoon: Standard, cash £8,350, 40, 50, three months £8,110, 8,100, 10, 20, 30. Kerb: Standard, three months £8,145, 50, 60, 50, 55. Turnover: 2,375 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	375-6	+21	369.5-70	+14
3 months	387-8	+18.7	383-.5	+14.5
Settlem't	376	+21	—	
U.S. Spot	—		*27-30	

Lead—Morning: Cash £375.00, 76.00, three months £384.00, 83.00, 84.00, 85.00, 86.00, 86.50, 87.00, 86.00, 85.00, 85.50, 86.00, 86.50, 87.00, 88.00. Kerb: Three months £386.00, 89.00, 90.00. Afternoon: Three months £385.00, 84.00, 84.50, 84.00, 83.50, 83.00. Kerb: Three months £383.00, 82.00, 81.00, 82.00, 83.00. Turnover: 20,450 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	451-2	+15.5	450-.5	+15
3 months	458.5-9	+14.5	457.5-8.5	+15.5
Settlem't	452	+15	—	
Primw'ts	—		*44-50	

Zinc—Morning: Cash £452.50, three months £456.00, 57.00, 58.00, 59.00, 60.00, 61.00, 60.00, 59.00, 58.00, 57.00, 58.50, 57.50, 58.00, 58.50, 59.00, 60.00. Kerb: Three months £460.00, 61.00, 62.00, 60.00. Afternoon: Three months £461.00, 60.00, 59.00, 58.00, 58.50, 58.00. Kerb: Three months £456.00, 55.00, 54.00, 53.00, 54.00, 55.00. Turnover: 18,675 tonnes.

Aluminm	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Spot	613.5-4	+14.5	613-4	+8
3 months	637.5-8	+15.5	637-.5	+8

Aluminium—Morning: Cash £615.00, 14.00, three months £642.00, 41.00, 42.00, 40.00, 39.00, 38.00, 40.00, 39.00, 38.50, 38.00, 37.50. Kerb: Three months £638.00, 37.50. Afternoon: Three months £637.00, 36.00, 37.00, 38.00, 37.00, 37.50, 38.00. Kerb: Three months £638.00, 38.50, 38.00, 37.00. Turnover: 16,425 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —
Spot	2860-70	—15	2880-90	+50
3 months	2905	—15	2920-5	+47.5

Nickel—Morning: Three months £2,910. Kerb: Mainly carries, three months £2,905. Afternoon: Three months £2,910, 15, 20. Kerb: Three months £2,920. Turnover: 810 tonnes.

* Cents per pound. ‡ M$ per kilo. † On previous unofficial close.

SILVER

Silver was fixed 4.8p an ounce higher for spot delivery in the London bullion market yesterday at 458.35p. U.S. cent equivalents of the fixing levels were: spot 889.75c, up 17.75c; three-month 897.1c, up 18.1c; six-month 928.8c, up 18.8c; and 12-month 964c, up 17c. The metal opened at 460-464p (878-878c) and closed at 457-461p (865-870c).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	458.35p	+4.8	457.00p	—1.75
3 months	475.00p	+4.95	473.75p	—1.25
6 months	493.00p	+5.00	—	—
12months	528.00p	+4.45	—	—

LME—Turnover 191 (207) lots of 10,000 ounces. Morning: Three months 476.0, 76.5, 77.0, 78.0, 77.5, 78.0. Kerbs: Three months 478.0. Afternoon: Three months 474.0, 74.5, 74.0. Kerbs: Three months 474.0, 73.0, 74.0.

COCOA

Futures eased in thin conditions as trade and commission house selling depressed values. Actuals business found no interest from consumers and producers, reports Gill and Duffus.

COCOA	Yes'rday's Close	+ or —	Business Done
Dec	1164-65	—12.0	1176-64
March	1166-57	—3.0	1166-56
May	1157-58	—4.0	1167-57
July	1165-66	—2.0	1177-64
Sept	1175-74	—3.0	1182-73
Dec	1192-93	—3.0	1201-195
March	1179-01	—12.5	1210-00

Sales: 1,476 (2,747) lots of 10 tonnes.

ICCO—Daily price fob Dec 16: 95.58 (96.31): Indicator for Dec 17: 96.01 (96.03). U.S. cents per pound.

COFFEE

London opened slightly lower as expected but failed to promote much trading interest, reports Drexel Burnham Lambert. Late dealer selling against an easier New York took values to the lows.

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
Jan	1121-23	—4.5	1135-21
March	1106-07	—8.0	1118-07
May	1088-90	—10.5	1102-88
July	1084-85	—12.5	1098-85
Sept	1085-86	—10.0	1097-84
Nov	1085-88	—7.0	—
January	1085-90	—8.0	—

Sales: 1,393 (1,871) lots of 5 tonnes.

ICO—1979 indicator prices for Dec 15: (U.S. cents per pound): Comp daily ICA 123.60 (123.46): 15-day average 122.14 (122.24).

WOOL FUTURES

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. Dec 359, 367, nil; Jan 360, 365, nil; March 374, 382, nil; May 380, 386, 383; Aug 384, 399, 400-398; Oct 398, 404, 401-398; Dec 404, 405, 408-404; Jan 401, 404, 410-405; March 412, 418, 420-416; May 417, 427, nil. Sales: 46.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. Dec 492.0, 492.0, 493.0-491.0; March 497.0, 489.5, 489.0-489.0; May 505.0, 508.0, 506.0-505.0; July 514.0, 515.5, 517.5-513.0; Oct 510.0, 517.2, 512.0-511.2; Dec 516.2, 517.5, 518.0-517.5; March 521.0, 525.0, untraded; May 526.0, 530.0, untraded. Sales: 182.

GAS OIL FUTURES

After opening unchanged the market rallied in moderate conditions to reflect Middle East and Polish tension, reports Premier Man.

Month	Yesterday's close	+ or —	Business Done
	$ U.S. per tonne		
December	323.50	+2.50	323.50-19.00
January	322.75	+3.75	324.00-19.50
February	322.50	+3.25	322.25-18.00
March	320.75	+3.25	320.75-15.00
April	317.25	+2.00	317.50-14.50
May	315.00	+2.00	315.00-14.00
June	315.00	+1.00	—
July	315.00	+1.50	—
August	314.50	+1.00	—

Turnover: 863 (380) lots of 100 tonnes.

GRAINS

The market opened higher on old crop and unchanged on new crops. Old wheat was firm and steady while old barley slipped back, Acli reports.

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterday's close	+ or —
Jan	108.15	+0.15	103.90	—0.10
Mar	111.85	+0.20	107.10	—0.10
May	115.10	+0.20	110.05	—0.05
July	117.90	+0.25	—	—
Sep	106.00	—	101.05	—
Nov	109.60	+0.05	104.90	—

Business done—Wheat: Jan 108.15-108.00, March 111.90-111.75, May 115.15-115.00, July no trades, Sept 106.00 only, Nov 109.60 only. Sales: 186 lots of 100 tonnes. Barley: Jan 104.05-103.80, March 107.25-107.10, May 110.20-110.05, Sept no trades, Nov no trades. Sales: 272 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 2, 14 per cent Dec 110.75, Jan 117.50 transhipment East Coast sellers. English Feed fob Jan-March 114.50 South Coast seller. Maize: S. African White/Yellow Dec 83 seller. Barley: English Feed fob Jan-March 110.55 East Coast seller. Rest unquoted.

HGCA—Locational ex-farm spot prices. Other milling wheat: N East 108.50. Feed barley: Eastern 101.50, E Mids 102.20, N East 101.00, Scotland 103.00. The UK Monetary Coefficient for the week beginning Monday December 21, is expected to remain unchanged.

RUBBER

The London physical market opened easier, attracted some buying interest at the lower levels and closed quietly steady. Lewis and Peat reported a December fob price for No. 1 RSS in Kuala Lumpur of 196.0 (201.0) cents a kg and SMR 20 175.0 (174.5).

No. 1 R.S.S.	Yest'r'ys close	Previous close	Business Done
Jan	51.30-52.00	51.30-51.60	—
Feb	51.60-51.70	51.30-51.80	50.50
Jan-Mar	51.20-51.30	51.20-51.40	51.50-50.40
Apl-Jne	54.50-54.60	54.60-54.40	54.60-53.50
Jly-Sept	57.70-57.80	57.40-57.50	57.70-57.00
Oct-Dec	60.80-61.00	60.60-60.70	60.90-60.40
Jan-Mar	64.10-64.20	63.80-63.90	64.10-63.80
Apl-Jne	67.20-67.30	66.80-66.90	67.20-67.10
Jly-Sept	70.20-70.50	69.60-69.80	70.30-69.80

Sales: 284 (466) lots of 15 tonnes, 9 (nil) lots of 5 tonnes.

Physical closing prices (buyers) were Spot 50.75p (same); Jan 51.75p (51.50p); Feb 52.00p (51.75p).

SOYABEAN MEAL

The market opened slightly easier on strongest sterling reports T. G. Roddick. Prices drifted further on concern over the Polish situation, a possible grain embargo and late stop-loss selling.

	Yesterday's Close	+ or —	Business Done
	£ per tonne		
December	124.00-31.0	—2.00	—
February	127.00-27.4	—2.80	130.20-27.10
April	129.50-29.6	—2.05	131.50-28.50
June	129.50-29.7	—1.75	131.20-28.50
August	130.00-30.5	—1.00	—
October	131.00-34.0	—1.00	—
December	131.50-34.0	—1.00	—

Sales: 150 (138) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar £168.00 (£170.00) a tonne cif Dec-Jan-Feb shipment. White sugar daily price £171.00 (£170.00).

The market opened unchanged but later strengthened, reports C. Czarnikow.

No. 4 Con-tract	Yest'rdy's close	Previous close	Business done
	£ per tonne		
Jan	168.00-73.00	170.00-72.70	[illegible]
Mar	174.75-74.30	175.25-75.50	176.50-72.75
May	177.25-77.50	177.85-77.75	177.50-75.18
Aug	180.25-80.80	181.00-81.25	181.00-78.48
Oct	186.00-86.50	186.25-86.75	186.75-85.08
Dec	189.00-91.00	[illegible]	—
Mar	191.00-91.50	191.00-92.50	192.00

Sales: 3,073 (3,086) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis white sugar was £375.00 (same) a tonne fob for home trade and £278.00 (280.50) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean ports. Prices for December 15: Daily price 12.88 (13.06); 15-day average 12.67 (12.60).

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scottish killed sides 83.2 to 89.2; Ulster hindquarters 100.0 to 102.0, forequarters 61.5 to 63.5. Veal: Dutch hinds and ends 131.0 to 134.0. Lamb: English small 74.0 to 86.0, medium 79.0 to 84.0; imported frozen—New Zealand YLs 59.5 to 60.0. Pork: English, under 100 lb 47.0 to 56.0, 100-120 lb 46.5 to 55.5, 120-160 lb 43.0 to 52.0.

MEAT COMMISSION—Average Fatstock prices at representative markets. GB—Cattle 104.52p per kg lw (+2.77). UK—Sheep 191.57p per kg est dcw (+7.01). GB—Pigs 84.43p per kg lw (+5.96).

COVENT GARDEN—Prices for the bulk of produce, in sterling per package except where otherwise stated. Imported Produce: Oranges—Moroccan: Navels 48/113 4.30-4.80; Spania: Navels/Navelinas 42/130 4.50-5.40; Jaffa: Navels 88/144 4.85-5.35. Clementines—Spania: 3.40-4.20; Moroccan: 1/6 3.40-4.20. Satsumas—Spania: 3.00-3.40. Lemons—Cyprus: 3.30-4.50; Jaffa: 125/150 5.00-5.25; Italian: 80/150 3.50; Spania: 40/50 2.40-2.50; U.S.: 115 5.00. Grapefruit—U.S.: Pink 32/48 6.20-7.50; Cyprus: Large cartons 3.60-4.50, small cartons 2.80-3.40; Jaffa: 36/88 3.80-4.55. Apples—French: New crop, Golden Delicious 20 lb 3.30-3.60, 40 lb 6.20-7.00, Stark Crimson 40 lb 7.00-8.00, 20 lb 3.40-4.00, Granny Smith 8.20-9.00; Canadian: Red Delicious 9.00-11.00; U.S.: Red Delicious 8.00-13.00; Hungarian: Starking 6.60-7.00. Pears—Dutch: Comice 14 lb 3.60-3.90, Conference per pound 0.14-0.20. Peaches—Zimbabwean: 4.50-5.50; South African: 4.50-5.50. Apricots—Australian: Per pound 1.00. Plums—U.S.: Per pound 0.40; South African: Per pound 1.00. Grapes—Spanish: Almeria 11 lb 2.60-3.20, Negra 3.50-4.00; U.S.: Almeria, per pound 0.60, Red Emperor 0.70. Cherries: Brazilian: 1 lb 1.40-1.50. Strawberries—Kenyan: 8 oz 0.50-0.80; New Zealand: 12 oz 1.30; Israeli: 8 oz 1.00-1.10. Litches—Mauritius: Per pound 1.00; South African: 0.90. Melons—Spanish: 10 kg 4.50-6.00, 15 kg A1 10.50-11.00. Pineapples—Ivory Coast: Each 0.40-1.10. Bananas—Colombian: Per pound 0.18-0.19. Avocados — U.S.: Large box 5.50-6.00, small box 2.50.

English Produce: Potatoes—Per 55 lb White 2.20-2.60, red 2.50-2.80, King Edward's 2.80-3.30. Mushrooms — Per pound open 0.40-0.60, closed 0.60-0.70. Apples—Per pound Bramley 0.18-0.25, Cox's 0.20-0.30, Laxton's 0.14-0.16, Spartan's 0.20-0.25. Pears—Per pound Conference 0.14-0.20, Comice 0.18-0.24. Cabbages—Per 30 lb bag Celtic/Jan King 2.00-2.50. Lettuce—Per 12 round 1.00-1.60. Onions—Per 55 lb 40/80 mm 2.00-2.80. Carrots — Per 26/28 lb 2.00-2.80. Beetroots — Per 28 lb round 1.20-1.80, long 1.80. Parsnips—Per 28 lb 2.50-3.00. Swedes—Per net 1.20-1.40. Sprouts—Per 20 lb 2.40-3.40. Celery—Per 16/36 Hassey 5.00-5.20. Brussels Tops—Per 25 lb 2.60. Spring Greens—Per 25 lb 2.20-2.60, Cornish 40 lb 4.00-4.50. Savoys—Per 25 lb 1.60-1.80. Rhubarb—Per 14 lb 3.60-4.20. Turnips—Per 28 lb 2.50-3.00.

PRICE CHANGES

In tonnes unless otherwise stated.

	Dec. 15 1981	+ or —	Month ago
Metals			
Aluminium	£810/815		£810/815
Free Mkt	$1155/1165	+10	$1050/070
Copper			
Cash h grade	£862.5	+5	£855.5
3 mths	£889.25	+8	£880.25
Cash Cathode	£858	+5	£849
3 mths	£889.25	—11.25	£874
Gold troy oz	$416.5	+2	$402.5
Lead Cash	£359.75	+14	£344
3 mths	£383.25	+14.5	£359.5
Nickel	£3678.69		£4187.2
Free mkt	245/285c		225/75c
Platin'mtr'y oz	£260		£260
Freemkt	£204.80	—9.25	£200.55
Quicksilvert	$418/425		$418/423
Silver troy oz	458.35p	+4.80	431.50p
3 mths	475.00p	+4.95	446.20p
Tin Cash	£8,355		£8345
3 mths	£8,140	—47.5	£8650.5
Tungsten22.01lb	$137.32		$138.06
Wolfrm 22.04lbs	$121/127	—2.5	$130/136
Zinc Cash	£451	+15	£4345
3 mths	£458	+15.5	£46.75
Producers	$920/50		$1000
Oils			
Coconut (Phil)	$558y	—2	$585
Groundnut	$710y		‡
Linseed Crude	‡		‡
Palm Malayan	$485x		$505
Seeds			
Copra Philip	$350	—10	‡
Soyabean(U.S.)	$259.5x	—2	$257
Grains			
Barley Fut.Mar	£107.10	—0.10	£103.85
Maize	‡		£127.25
Wheat Fut.Mar	£111.85	+0.20	£108.15
No2 HardWint	‡		‡
Other commodities			
Cocoa ship't*	£1240	—13	£1,137
Future Mar.	£1156.5	—3	£1066.5
Coffee Ft' Mar	£1106.5	—8	£1150.5
Cotton A.Index	67.35c		72.00c
Gas Oil Jan.	$323.75	+2.5	$328
Rubber (kilo)	50.75p		52p
Sugar (Raw)	£168wz	—2	£150
Woolt'ps 64s kl.	379p kilo		377pkilo

‡ Unquoted. w Dec-Jan. x Jan. z Feb. y Jan-Feb. † Per 76-lb flask. * Ghana cocoa. n Nominal. § Seller.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 116 tonnes. Mixed orders were reported, without extensive purchasing of out of the ordinary styles. African qualities attracted some attention, as did North and South American growths.

POTATOES

LONDON POTATO FUTURES—With no break in the cold weather forecast, prices rose steadily, closing at the highs, reports Coley and Harper. Closing prices: Feb 94.40, +2.20 (high 94.50, low 93.90): April 111.90, +3.50 (high 112.00, low 109.50): Nov 67.00, +0.50, (67.00 only). Turnover: 507 (470) lots of 40 tonnes.

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HIDES—Leeds: The market was slightly firmer. Second clears: Ox 31-35.5 kg, 63.5p a kg withdrawn (62.3p a kg); 26-30.5 kg, 66.0p a kg (64.4p a kg); 22-25.5 kg, 74.6p a kg withdrawn (72.0p a kg). Light cows: 25.5 kg, 73.5p a kg (71.5p a kg withdrawn).

★

GRIMSBY FISH — Supply poor, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £4.60-£5.80, codlings £3.50-£4.00; Small haddock £2.60-£3.00.

AMERICAN MARKETS

NEW YORK, December 16.

The precious metals and copper continued to attract buying on the Polish situation. Coffee and cocoa came under pressure on trade selling. Sugar firmed on rumours of Russian buying interest. The grain and soyabean complex, after suffering sharp losses early, rallied on aggressive short covering and closed mixed. Heating oil tended lower ahead of the American Petroleum Institute figures, reported Heinold.

Copper—Dec 73.60 (72.20), Jan 74.00 (72.70), Feb 74.85, March 75.45-75.75, May 77.10-77.50, July 78.70-79.00, Sept 80.80, Dec 83.40, Jan 84.20, March 85.95, May 87.70, July 89.46, Sept 91.20.

*Gold—Dec 422.5 (416.8), Jan 424.5 (419.0), Feb 427.5-429.0, April 436.0-437.5, June 446.5-447.0, Aug 455.4, Oct 465.3, Dec 475.4, Feb 485.6, April 496.0, June 506.5, Aug 517.0, Oct 527.6. Sales: 45,000.

*Platinum—Dec 411.8 (404.5), Jan 412.5-413.5 (405.5), April 422.5-423.5, July 435.1, Oct 448.1, Jan 466.1.

Potatoes (round whites)—Feb 69.0-70.0 (70.0), March 75.5 (74.2), April 83.5-83.7, Nov 77.0.

¶Silver—Dec 886.3 (867.9), Jan 890.5 (872.3), Feb 899.2, March 905.0-910.0, May 928.0-030.0, July 948.6, Sept 968.9, Dec 999.5, Jan 1009.7, March 1030.0, May 1050.3, July 1070.6, Sept 1090.0. Handy and Harman bullion spot: 861.00 (858.00).

Sugar—No 11: Jan 13.15-13.25 (12.74), March 13.56-13.60 (13.09), May 13.71-13.76, July 13.87-13.89, Sept 14.07-14.10, Oct 14.27-14.30, Jan 14.00-14.30, March 14.75-14.85, May 14.75.

Tin—694.00-705.00 (696.00-712.00).

CHICAGO, December 16.

Lard—Chicago loose 18.00 (17.50). Live Cattle—Dec 59.50-59.55 (58.80), Feb 55.60-55.70 (55.32), April 55.20-55.50, June 56.50-56.80, Aug 56.20-56.50, Oct 55.20, Dec 56.70-56.90.

Live Hogs—Dec 38.85 (39.32), Feb 39.70-39.60 (39.45), April 37.60-37.70, June 40.75-40.65, July 41.80-41.95, Aug 41.50, Oct 40.67, Dec 42.10, Feb 43.20.

‡‡Maize—Dec 248¾ (245½), March 267-266 (263), May 276-276½, July 281-282, Sept 283, Dec 286-287.

Pork Bellies—Feb 53.80-53.95 (52.65), March 54.00-53.60 (52.70), May 55.25-55.10, July 56.30, Aug 55.50.

†Soyabeans — Jan 618-621 (623¼), March 630½-629 (633¾), May 643½-642½, July 654-655, Aug 655, Sept 654, Nov 659½-660, Jan 674½, March 690½.

‖Soyabean Meal—Dec 186.0 (1[illegible].6), Jan 184.8-185.2 (185.6), March 1[illegible]6.2-186.0, May 187.5-188.0, July [illegible]9.3-189.5, Aug 189.5, Sept 189.9-190.0, Oct 191.1, Dec 195.0.

Soyabean Oil — Dec 19.10-19.15 (19.15), Jan 19.29-19.25 (19.33), March 19.88-19.86, May 20.45, July 21.00-20.95, Aug 21.05-21.10, Sept 21.20-21.25, Oct 21.25-21.30, Dec 21.60, Jan 21.60.

†Wheat—Dec 377 (373¼), March 397½-399 (395½), May 405, July 405-404½, Dec 430.

WINNIPEG, December 16.

§Barley—Dec 119.00 (118.90), March 125.40 (125.00), May 128.40, July 130.20, Oct 133.40.

§Wheat—SCWRS 13.5 per cent protein content cif St. Lawrence 234.89 (234.79).

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lb). § $Can. per metric ton. §§ $ per 1,000 sq ft. ‡ Cents per dozen. †† $ per metric ton.

Tuesday's closing prices

††Cocoa—Dec 2042 (1980), March 2052 (2031), May 2065, July 2086, Sept 2105, Dec 2145, March 2185. Sales: 3,150.

Coffee—"C" Contract: Dec 147.65-147.80 (148.45), March 137.60-137.75 (138.83), May 131.50-131.60, July 129.80-130.00, Sept 127.70-128.00, Dec 125.25-125.26, March 123.00-123.50, May 110.00-130.00. Sales: 2,395.

Cotton—No. 2: March 62.80-62.84 (62.54), May 64.25 (63.80), July 65.55, Oct. 67.40, Dec. 68.70, March 69.80-69.99, May 70.70-71.00. Sales: 3,300.

Orange Juice — Jan. 124.60-124.70 (122.45), March 125.80 (123.45), May 127.20, July 128.30-128.50, Sept. 129.30-129.50, Nov. 130.30-130.60. Sales: 1,200.

CHICAGO, December 15.

Chicago Imm Gold—Dec 417.5 (414.0), March 426.5-427.5 (424.2), June 441.0, Sept 455.4, Dec 470.6, March 486.2, June 502.0, Sept 518.0.

NEW ORLEANS—Milled Rice Futures (cents per cwt of U.S. No 2 long grain): Jan 1770, Mar 1719, May 1725, Sept 1733.

EUROPEAN MARKETS

ROTTERDAM, December 16.

Wheat—(U.S. $ per tonne): U.S. No 2 Dark Hard Winter, 13.5 per cent: Dec 20/Jan 10 203, Jan 20/Feb 10 206, Feb 20/March 10 209, March 20/April 10 212. U.S. No. 2 Red Winter: Dec 175, Jan 180, Feb 182.50, March 186. U.S. No. 3 Amber Durum: Mid-Jan 207, April/May 192, May/June 192, June/July 193, July/Aug 194, Aug/Sept 196, Sept/Oct 198, Oct/Nov 202. U.S. No. 2 Northern Spring, 14 per cent: Dec 186, Jan 196, Feb 197, March 200, April/May 189.50, June/July 191, Aug/Sept 194. Canadian Western Red Spring: April/May 218.

Maize—(U.S. $ per tonne): U.S. No. 3 Corn, Yellow: Afloat 118, Dec 118.50, Jan 118, Feb 121, March 123.50, April/June 126, July/Sept 129.75, Oct/Dec 130.

Soyabeans—(U.S. $ per tonne): U.S. No. 2 Yellow, Gulfports: Jan 253.50, Feb 256.20, March 258, April 258.75, May 261, June 261.75, July 263.75, Aug 264, Sept 265.20, Oct 253.35, Nov 253.35, Dec 268.45 sellers.

Soyameal—(U.S. $ per tonne): U.S. Afloat 235, Dec 235, Jan 236.50, Feb/March 237.50, April/Sept 238, Nov/March 245 sellers. Brazil Pellets: Afloat 249.50, Dec 248, Jan/March 255, April/Sept 242.50, sellers.

PARIS, December 16.

Cocoa—(FFr per 100 kg): Dec 1200-1225, March 1237.50-1238, May 1243-1250, July 1270-1288, Sept 1281-1297, Dec 1300-1315, March 1310-1325. Sales at call: Nil.

Sugar—(FFr per tonne): March 1910-1913, May 1951-1953, July 1970-1980, Aug 2010-2035, Oct 2040-2060, Nov 2030-2070, Dec 2060-2085, March 2090-2110. Sales at call: 13.

INDICES

FINANCIAL TIMES

Dec. 15	Dec. 14	Month ago	Year ago
245.80	247.37	249.91	259.68

(Base: July 1, 1952=100).

MOODY'S

Dec. 15	Dec. 14	Month ago	Year ago
972.6	978.3	984.5	1209.3

(December 31, 1931=100)

DOW JONES

Dow Jones	Dec. 15	Dec. 14	Month ago	Year ago
Spot	358.45	358.98	356.20	422.50
Fut rs	361.66	362.41	372.12	474.89

(Average 1924-25-26=100)

REUTERS

Dec. 16	Dec. 15	M'nth ago	Year ago
1614.6	1617.6	1614.5	1718.0

(Base: September 18, 1931=100)

CONTRACTS & TENDERS

Christmas spirit begins to affect markets and Gilts extend recovery with equity leaders also prominent

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Dec 7	Dec 17	Dec 22	Jan 4
Dec 23	Jan 7	Jan 8	Jan 18
Jan 11	Jan 21	Jan 22	Feb 1

* "New time" dealings may take place from 9.30 am two business days earlier.

London stock markets yesterday managed to show a little of the Christmas spirit. Government securities extended their recovery movement encouraged by the sterling exchange rate, which consolidated its recent gain, and by the resilience shown in the U.S. bond market.

Institutional inquiry for Gilts remained at a disappointly low level but demand from smaller investors was sufficient to push quotations higher in an extremely thin, and apparently still oversold, market.

Once again, longer-dated stocks made the larger gains and closed at the session's highest with rises extending to ¾. The shorter end of the market took note of yesterday's easier conditions in UK money markets and rose about ¼: the short tap, Exchequer 14 per cent 1986, regained ¼ more to 37¼, in £40-paid form.

Equity markets went better with Gilts. Leading shares responded to the overnight Wall Street recovery and soon met selective institutional demand. Dealers immediately attempted to level their book positions and the ensuing small business resulted in exaggerated rises in values. Interest waned after the first hour of business, but the upturn continued despite a return to easier conditions in New York at yesterday's opening.

Measuring the tone, the FT Industrial Ordinary share index was only 2.1 higher at 10 am, but thereafter improved progressively to close 7.1 up at the day's best of 520.6. Situation and secondary issues were busier with Peninsular and Oriental featuring leading shares with a rise of 7 to 125p amid a revival of Far-Eastern bid speculation.

Pennine Holdings 15¼ per cent Loan 1986 stood out again in its second day of dealings with a rise of 7½ points to £70: the stock made its debut on Tuesday morning at £54.

From the previous day's pitiful total of 499, the lowest since October 29, the number of Traded Options completed yesterday rose to 995, comprising 837 calls and 158 puts. Reflecting Far-Eastern bid speculation, P and O Deferred attracted a considerable interest, recording 374 calls—170 in the February 100 series.

Cable and Wireless became more active on talk of a big buyer being in the wings and touched 210p before settling 3 firmer on balance at 208p. Features among remaining Recent Issues included Peek Holdings, 2½ better at 9p, and Nimslo, which put on 10 to 160p. Yesterday's newcomer Newmarket (1981) made a quiet debut and closed at the issue price of 305p, after 298p.

Bank of Scotland up

Still reflecting talk of an imminent bid from a foreign source, Bank of Scotland rose 3 for a two-day advance of 18 to 478p, after 478p. Elsewhere, Guinness Peat cheapened 3 more to 90p awaiting terms of the expected partial bid from company President Lord Kissin. Manson Finance came on offer at 55p, down 5, but Rea Brothers closed unaltered at 90p following the proposed £1.4m rights issue and the unaltered dividend forecast. FNFC revived with an improvement of 1½ to 32p.

In a quietly firm Insurance sector, Stenhouse improved 3 to 95p in response to satisfactory preliminary results. Sun Alliance added 8 at 842p and Pearl 6 at 402p.

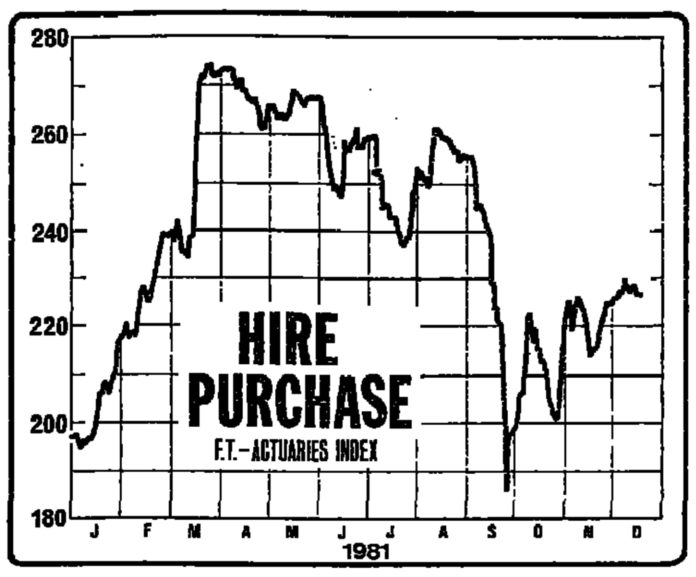
Among the occasional movements in Breweries, Bass improved 5 to 205p, but Vaux, awaiting today's interim statement, eased a couple of pence to 136p. Elsewhere, Distillers, half-year results also due today, held at 178p.

Fisons became a particularly good market and advanced to 151p before closing 10 up on balance at 145p despite the group's denial of rumours that it is negotiating to sell its fertiliser interests. Elsewhere in Chemicals, ICI closed unaltered at 278p, after being a couple of pence higher at one stage. Leigh Interests gave up 2 more to 104p, but Coates Brothers firmed a penny to 51p, with the A shares 2 up at 48p.

Among the scattered irregular movements in Buildings, William Leech firmed 2 to 82p in response to the preliminary results. Blue Circle hardened a couple of pence to 480p and Taylor Woodrow 5 to 500p. Ibstock Johnsen, in contrast, encountered fresh sporadic offerings and gave up 3 more to 65p, while Phoenix Timber turned dull at 94p, down 4.

Mothercare rise

Mothercare, which announced an agreed merger with Habitat on Monday, rose 7 yesterday to 175p on rumours that a third party may enter the arena with a counter bid for Mothercare: Habitat closed unaltered at 120p. A reported statement from Lonrho's Mr Roland "Tiny" Rowland that it could be "weeks rather than months before we bid again for House of Fraser" helped the latter to harden a couple of pence to 170p. Elsewhere in Stores, Steinberg hardened 2 to 28p in response to the board changes.



Press comment attracted renewed investment support to GEC which closed 18 higher at the day's best of 805p; late sentiment was helped by the Government's £500m defence systems contract awarded to its Marconi subsidiary. Other Electrical leaders also made progress with Plessey closing 10 higher at 345p, Racal, 425p, and Thorn EMI, 450p, rose 5 and 3 respectively. Elsewhere, Automated Security put on 7 to 175p and Unitech gained 8 at 223p, while Highland touched 34p before finishing a couple of pence dearer on balance at 30p. Still reflecting the poor interim figures, Normand lost 3 for a two-day relapse of 7 to 31p.

Interest in the Engineering sector failed to expand, but the underlying tone was relatively firm. Sporadic demand lifted Tubes 4 to 108p, while GKN and Hawker improved 2 apiece to 162p and 322p respectively. Revived demand left Expanded Metal 3 to the good at 61p, while Lake and Elliot continued to respond to the figures with a further rise of 2 at 39p. Baker Perkins put on 4 to 57p. Davy Corporation improved 3 more to 174p; the announcement of the £218m New Zealand contract was made known well after market hours. Occasional support prompted a gain of 1½p to 54½p in ISIL. Other bright spots included Simon Engineering, 3 higher at 378p, and NEI, 2½ dearer at 74p.

Comment on the preliminary figures prompted firmness in Northern Foods which edged up 3 to 145p. Elsewhere in the sector, Tate and Lyle traded firmly at 158p, up 4, while Associated Dairies rose 2 to 126p, and Unigate, awaiting today's announcement of the half-year results, hardened a penny more to 100p. Lennons, in contrast, eased 2 to 52p, on the £2.7m rights issue which accompanied the interim results.

Thos. Tilling good

Talk that the company will withdraw from the battle with Hanson Trust for control of Berec helped Thomas Tilling to rise 7 to 144p; Tilling's Board had no comment to make about the situation late yesterday. Elsewhere in miscellaneous industrials, BET Deferred advanced 9 to 138p on investment buying, while Bestobell rose 15 to 320p on revived demand in a market acutely short of stock. Speculative support prompted gains of 8 and 10 respectively in Sidlaw Industries, 190p, and J. Bibby, 295p, while Foseco Minsep put on 7 to 198p and Diploma Investments gained 10 to 199p. Marley firmed 2 to 40p, after 41p, in response to the better-than-expected preliminary results, and satisfactory trading news helped Alexander Russel to harden a few pence to 138p. Kennedy Smale gained 5 to 145p on higher interim profits, while Redfearn National Glass added 5 to 123p following comment on the first-half figures. Elson and Robbins, on the other hand, shed 3 to 17p on the £1.05m deficit and nominal dividend. Of the quietly firm leaders, Unilever put on 5 to 607p and Glaxo 4 to 414p.

Suggestions that the Bank of Scotland was about to sell its sizable stake in Henlys aroused bid speculation and the latter closed 14 higher at 95p. Elsewhere in Garages and Distributors, T. Cowie fell to 26½p on the annual net loss before steadying to end 2½ down on balance at 28p. In contrast, BSG picked up 1½ to 17p. Components displayed few movements but Bluemel eased the turn to 22p following the year's loss and the passing of the dividend.

Fresh investment demand in the wake of the recent interim statement lifted Gordon and Gotch 7 more to 147p. Other Advertising Agencies closed little changed and, among Newspapers and Printings, International Thomson, up 7 at 290p, provided the only significant movement.

Oils quiet

Stimulated by Town and City's surprise bid for Berkeley Hambro, London Shop advanced 9 to 133p, while the 6¼ per cent Convertible 1984 jumped 11 points to £147. Dacian were similarly affected and closed 6 to the good at 162p: the price in yesterday's issue was incorrect. Town and City encountered a busy trade on further consideration of the bid move and touched 32p before closing only a fraction harder at 31p; Berkeley Hambro hardened a fraction more to 328p after the previous day's jump of 53. Land Securities firmed 3 to 306p as did MEPC, to 246p. Still a freshness market on the £21.6m rights issue, Haslemere Estates shed 7 for a three-day drop of 36 to 376p.

Interest in Oils remained at a low ebb, but the underlying tone help steady to firm. Shell managed a final improvement of 2 at 408p. Ultramar edged up 5 to 505p and Burmah 3 to 124p, while buyers showed interest in IC Gas which advanced 8 to 210p. In the more speculative issues, Palliser Resources fell 10 to 160p.

In Overseas Traders, Assam Trading B responded to revived speculative demand with a rise of 5 to 77p.

P & O Deferred featured an otherwise quiet Shipping sector, advancing to 126p in brisk trading on revived talk of a bid from Far-Eastern sources before settling at 125p for a rise of 7 on the day.

Trusts took a modest turn for the better. Energy Resources and Services gaining 12 to 437p and General Investors improving 3 to 170p. Smith Bros gained 3 to 41p among Financials.

Occasional support lifted Stirling Group 2 to 50p in the Textiles sector. Wm. Pickles, on the other hand, were not noteworthy for a fall of a penny at 5½p in smaller-priced issues.

Rightwise highlighted Plantations, rising 22 to 155p and the 10 per cent Convertible 20 to 153p on speculative demand fuelled by asset injection hopes in a market short of stock. Elsewhere, McLeod Russell gained 11 to 373p and Williamson appreciated 5 to 200p.

Golds firmer

Mining markets continued to be dominated by events in Poland. Fears of an increased tension there prompted renewed demand for precious and base-metals and in turn encouraged widespread demand for mining issues.

South African Golds, which were persistently bought in overnight U.S. markets, moved ahead in early trading but later encountered profit-taking following reports of Russian sales of bullion in front of and after the declaration of martial law in Poland.

Consequently, gold shares closed well below the day's best, leaving the Gold Mines index 1.7 up at 335.5. The bullion price closed $7 firmer at $416.5.

London Financials held up well in the fact of lower metal prices with buying interest fuelled by the gains in UK equities.

Charter Consolidated were outstanding and improved 7 to 252p.

Australians tended to improve where changed but interest remained at a low level.

An exception to the general rule was the oil and gas market where Claremont were actively traded and finally a net 9 higher at 76p, after extremes of 83p and 74p amid rumours of a possible bid from Australia's Alliance Oil Development. Santos, meanwhile, added 10 at 380p while Vamgas held steady around 650p as did Oil Company of Australia, 25p.

In the leading Down-Under mining issues Pancontinental rose 4 to 158p and North Broken Hill a like amount to 162p.

Hampton Areas good progress closed 6 firmer at 168p in response to the doubled net profits for the half-year.

Malaysian Tins were firmer owning to renewed demand from Kuala Lumpur and Singapore. Cornwall's Geevor Tin held steady at 155p ahead of the interim figures, due today.

FINANCIAL TIMES STOCK INDICES

	Dec. 16	Dec. 15	Dec. 14	Dec. 11	Dec. 10	Dec. 9	A year ago
Government Secs	62.81	62.50	62.33	62.73	63.45	63.58	67.83
Fixed Interest	63.38	63.30	63.32	63.52	63.90	64.33	69.96
Industrial Ord.	520.6	513.5	513.6	520.2	525.5	520.2	466.5
Gold Mines	335.5	335.8	346.0	331.8	327.6	324.9	433.8
Ord. Div. Yield	5.79	5.87	5.88	5.80	5.74	5.81	7.63
Earnings, Yld. % (full)	10.09	10.23	10.24	10.13	10.02	10.13	17.12
P/E Ratio (net) (*)	12.52	12.36	12.49	12.64	12.77	12.62	7.15
Total bargains	13,827	13,800	13,548	12,500	15,335	16,083	16,985
Equity turnover £m.	—	100.75	85.86	82.05	114.35	118.02	115.2
Equity bargains	—	102.33	10,663	10,385	12,571	12,204	12,692

10 am 515.6. 11 am 517.0. Noon 518.4. 1 pm 519.9.
2 pm 519.6. 3 pm 519.8.
Latest Index 01-246 8026.
* Nil=11.19.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

HIGHS AND LOWS

	1981 High	1981 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.61 (20/5)	60.17 (26/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	72.01 (20/5)	61.61 (26/10)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	597.5 (30/4)	446.0 (14/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	429.0 (14/9)	262.6 (29/6)	558.9 (22/3/80)	43.5 (26/10/71)

S.E. ACTIVITY

	Dec. 15	Dec. 14
—Daily Gilt Edged Bargains	147.7	147.9
Equities Bargains	66.3	69.1
Value	203.6	173.5
5-day Avrge. Gilt-Edged Bargains	153.2	162.2
Equities Bargains	72.6	76.4
Value	202.5	201.6

NEW HIGHS AND LOWS FOR 1981

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1981.

NEW HIGHS (9)

BRITISH FUNDS (1)
Treas. 3pc 1982
BANKS (1)
Bank of Scotland
STORES (1)
Steinberg
ENGINEERING (1)
United Wire
INDUSTRIALS (2)
G.R. (Hldgs.) Wolseley-Hughes
LEISURE (1)
Anglia TV A
OVERSEAS TRADERS (1)
Assam Trading B
TEAS (1)
McLeod Russel

NEW LOWS (11)

BANKS (1)
Midland 10¼pc 1993-98
BUILDINGS (1)
Cement-Roadstone
CHEMICALS (1)
Leigh Ints.
STORES (1)
Bremner
ENGINEERING (3)
British Steam Spencer Clark
Folkes Hefo N V
INDUSTRIALS (2)
Euroflame UKO Int.
RUBBERS (1)
Grand Central
MINES (1)
Anglo-Dominion

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	90	—	1
Corpns. Dom. and Foreign Bonds	16	—	56
Industrials	265	139	950
Financial & Props.	121	47	341
Oils	23	28	56
Plantations	4	3	15
Mines	45	31	92
Others	29	65	58
Totals	593	313	1,569

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Dec 14	Dec 29	Mar 25	Apr 5
Jan 4	Jan 15	Apr 15	Apr 26
Jan 18	Jan 29	Apr 28	May 10

For rate indications see end of Share Information Service

Stocks to attract money for the call included P & O Deferred, Premier Consolidated, ICL, Town and City, Palliser Resources, First National Finance, Huntley and Palmer, Tesco, British Vita, Royal Insurance, Howard Machinery, Westminster Properties and BSR. Royal Bank of Scotland and Racal were dealt in for the put, while double options were arranged in Palliser Resources and Town and City.

RECENT ISSUES

EQUITIES

Issue price p	Amount Paid up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing price p	+ or –	Div. p. or amount	Times covered	Gross yield	P/E ratio
§80	F.P.	8/1	84	80	✣A & G Sec. Elecs.5p	81	......	b2.75	2.3	3.0	20.6
—	F.P.	4/12	850	775	✣Asprey	825	.....	35.0	2.5	5.9	6.2
168	F.P.	8/1	211	191	Cable & Wireless 50p	208	+5	b6.5	2.0	4.3	16.5
§35	F.P.	—	35	32	✣City Site	33	+1	b0.5	1.3	2.2	54.3
225	F.P.	5/2	240	233	Comp.&Systs.Eng 20p	235	+2	b3.15	3.8	1.5	24.1
82	F.P.	22/1	86	85	Cussins Prop.	83	......	b4.9	2.6	8.4	6.1
80	F.P.	13/1	84	81	✣Equipu	83	–1	bd5.1	2.1	5.3	12.0
140	F.P.	18/2	187	170	Exco 10p	176	+1	b4.5	2.3	3.7	17.7
—	F.P.	—	10	9	F&C Enter. Warrants	10	......	—	—	—	—
61	F.P.	22/1	63	62	✣Good Relations Grp	62	......	b2.5	2.0	5.8	12.3
§50	F.P.	9/12	50	38	✣Gr'nw'hCable&Cm.	39	......	—	—	—	—
100	F.P.	22/1	109	101	✣Hardanger Prop.	101	......	bd9.8	2.2	13.9	4.7
150	F.P.	4/1	165	157	✣Hayters	158	+1	b10.5	1.8	9.5	7.3
§10½	F.P.	2/12	18	14	✣Humberside EL 10p	18	......	—	—	—	—
63	F.P.	2/12	76	69	✣JohnstonesP'int10p	74	......	b3.53	2.5	6.8	7.7
100	F.P.	8/1	104	100	New Australia Inv.50p	103	+1	—	—	—	—
US$5.90	F.P.	—	305	298	Newmarket (1981)	305	......	—	—	—	—
US$4.25	F.P.	—	205	145	✣Nimslo Int. 20c	160	+10	—	—	—	—
§§	F.P.	—	9	4½	Peek Hldgs.	9	+2½	—	—	—	6.1
—	F.P.	—	11	8	Sampang (Java) 2½p	11	+½	—	—	—	—
—	50p	—	82	73	✣Saxon Oil	70	......	—	—	—	—
§67	F.P.	18/12	70	68	✣Sheldon Jones	69	......	u3.5	2.4	7.2	7.8
†	F.P.	31/12	33	31	✣Television South10p	33	......	—	—	—	—
—	F.P.	—	5	4½	Viners 1p	4½	......	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price	+ or –
97.48	£25	—	26½	23¼	Caisse Nat. Des Auto. 16% Gtd. Ln. 2006	24¼	+½
100	£10	25/2	13	12	Essex Water 10% Red. Prf. 1986	12½	......
11	Nil	—	7	5	Haslemere Est 9pc.Conv Uns Ln. 2001/06	5½	+½
¶¶	F.P.	—	153p	135p	McLeod Russel 8.4% Cnv. Red. Cum. Prf.	153p	+8
§100	F.P.	—	100½	99	Nat'wide Bdg.Society 15¾%Bds (24/11/82)	99	......
§100	F.P.	—	100	99¼	Do. 15½% Bds. (13/12/82)	99¼	......
69	F.P.	—	68	64	Pennine Comm.12pc.Conv.Uns.Ln.1991	69	+1
70	F.P.	—	62½	54	Do. 15½ pc. Uns. 1986	70	+7½
—	F.P.	—	135	115	Viners 10% Cnv. Loan 1988	118	......

"RIGHTS" OFFERS

Issue price p	Am'unt paid up	Latest Renunc. date ●	Latest Renunc. date ■	1981 High	1981 Low	Stock	Closing price p	+ or –
7½	Nil	31/12	29/1	1pm	¾pm	Abwood Mach.	¾pm	–½
142	Nil	29/12	29/1	15½pm	13pm	Brown (M)	13pm	......
2.5A$	Nil	—	—	92pm	60pm	C S R	82pm	+7
162	Nil	23/12	21/1	21pm	15pm	Great Portland Estates	15pm	–1
7½	Nil	18/12	15/1	2pm	¼pm	Raglan Prop.	1½pm	......
50	F.P.	17/12	21/1	51	50	Strong & Fisher	50	......
05 cts	Nil	10/12	28/1	117pm	108pm	T N T	116pm	......

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimate. *d* Dividend rate paid or payable on part of capital: cover based on dividend on full capital. *g* Assumed dividend and yield. *h* Assumed dividend and yield after scrip issue. *m* Interim since increased or resumed. *u* Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1981. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ||| Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✣ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Issued as a unit comprising 33 Ordinary and £5 Loan 1986-88.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
BET Deferred	138	+ 9	I C Gas	210	+ 8
Claremont Petroleum	76	+ 9	Mothercare	175	+ 7
Expanded Metal	61	+ 3	P. and O. Deferred	125	+ 7
Fisons	145	+10	Rightwise	155	+22
Hampton Areas	168	+ 6	Tilling (T.)	144	+ 7
Henlys	95	+14	Town and City	31	+ ¼

TUESDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of price changes	Tuesday's closing price pence	Day's change	Stock	No. of price changes	Tuesday's closing price pence	Day's change
Berkly. Hambro	19	327	+53	Rank Org	12	173	+ 9
Twn & Cty Prp	18	30¼	+ ½	BP	11	318	—
Pennine Comm. 15½pc Ln '86	15	£62½	—	Cable & Wire	11	205	+ 1
BAT Industries	12	340	+ 3	Cadby Schwps	11	83	– 1
Bank of Scot.	12	473	+15	GEC	11	787	+ 7
Haslemere Ests 9pc Ln '01/06	12	£5pm		Thorn EMI	11	447	+ 7
				Tube Inv	11	104	—
				Unilever	11	602	+ 4

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Dec 16 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Tues Dec 15 Index No.	Mon Dec 14 Index No.	Fri. Dec 11 Index No.	Thurs. Dec. 10 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (209)	349.94	+1.2	10.03	4.55	12.35	344.86	345.86	346.57	349.60	284.56
2	Building Materials (25)	297.72	+0.4	15.20	5.77	7.82	296.43	296.79	300.63	301.03	242.16
3	Contracting, Construction (28)	522.70	+0.2	17.97	5.40	6.50	521.75	521.92	528.47	527.73	400.81
4	Electricals (30)	1218.74	+1.8	7.53	2.40	16.95	1197.51	1187.12	1191.03	1209.33	958.67
5	Engineering Contractors (9)	473.28	+1.6	13.32	5.80	8.76	470.62	470.23	475.83	475.54	398.24
6	Mechanical Engineering (66)	187.04	+0.7	11.35	5.80	11.21	185.53	185.97	188.90	189.69	172.11
8	Metals and Metal Forming (12)	160.82	+0.8	8.57	7.55	15.77	159.55	160.33	161.04	162.80	138.86
9	Motors (21)	91.93	+1.2	—	7.41	—	90.85	91.60	92.57	93.05	90.85
10	Other Industrial Materials (18)	364.30	+1.4	9.18	6.22	13.28	359.45	360.68	365.75	371.34	0.00
21	CONSUMER GROUP (198)	264.78	+0.6	13.66	6.22	8.99	263.11	262.81	265.86	258.36	237.25
22	Brewers and Distillers (20)	271.51	+1.0	16.99	7.38	7.04	268.61	268.27	269.99	276.43	263.09
25	Food Manufacturing (21)	260.51	+0.7	15.87	6.53	7.58	258.57	257.30	261.12	261.76	212.27
26	Food Retailing (15)	538.63	+0.4	9.06	3.62	22.26	536.38	535.33	544.42	547.59	443.97
27	Health and Household Products (7)	337.35	+1.2	9.25	4.72	12.73	333.37	333.64	340.83	341.81	248.69
29	Leisure (24)	414.23	+0.2	9.07	5.24	12.62	413.23	407.10	414.45	418.70	349.69
32	Newspapers, Publishing (12)	480.49	+0.7	12.83	6.27	11.30	477.18	470.79	483.93	483.16	426.14
33	Packaging and Paper (13)	127.92	–0.2	16.12	8.42	7.43	128.13	128.13	130.42	131.63	113.39
34	Stores (46)	236.43	+0.5	12.39	5.71	11.30	235.23	235.08	238.65	201.02	246.38
35	Textiles (23)	151.12	+0.6	10.50	6.54	12.32	150.16	150.12	152.15	153.43	128.66
36	Tobaccos (3)	252.14	+0.4	22.95	10.34	5.80	251.15	257.23	252.41	254.49	283.68
39	Other Consumer (14)	243.83	+0.4	7.91	7.41	20.95	242.73	269.11	244.86	243.15	0.00
41	OTHER GROUPS (80)	224.75	+0.8	11.33	6.21	11.23	222.93	222.96	223.96	225.41	216.78
42	Chemicals (16)	286.86	+0.4	6.31	6.31	20.82	285.63	285.71	288.99	291.76	252.57
44	Office Equipment (4)	115.57	–1.2	15.82	7.62	7.56	116.92	116.00	111.72	110.92	103.33
45	Shipping and Transport (13)	504.03	+1.4	21.26	7.33	5.69	497.25	497.77	502.65	505.30	550.33
46	Miscellaneous (47)	239.38	+1.4	12.50	5.58	9.76	286.40	286.56	287.81	290.17	263.35
49	INDUSTRIAL GROUP (487)	267.73	+0.8	11.95	5.58	10.35	265.40	264.79	267.59	268.01	251.39
51	Oils (13)	753.03	+0.4	18.91	7.58	5.99	750.19	750.27	763.79	778.97	955.65
59	500 SHARE INDEX	325.67	+0.8	13.23	5.93	9.15	322.95	322.37	326.14	329.58	303.35
61	FINANCIAL GROUP (119)	251.53	+0.5	—	6.65	—	250.15	249.59	253.17	255.00	232.03
62	Banks (6)	272.70	+0.2	32.92	6.99	3.50	272.07	270.92	276.29	280.47	247.28
63	Discount Houses (9)	263.33	–1.5	—	8.97	—	259.75	252.31	257.06	256.83	281.92
64	Hire Purchase (3)	225.69	—	13.72	8.16	10.09	226.49	228.73	227.85	228.40	200.44
65	Insurance (Life) (9)	250.52	+1.0	—	6.39	—	248.12	246.51	250.83	250.92	258.27
66	Insurance (Composite) (10)	156.65	+0.9	—	6.55	—	155.24	154.40	156.53	158.70	145.20
67	Insurance Brokers (8)	409.25	+0.3	11.20	5.92	11.91	408.01	408.73	412.56	411.24	329.82
68	Merchant Banks (12)	151.56	–0.2	—	5.32	—	151.86	152.25	155.57	153.51	140.67
69	Property (50)	456.26	+0.6	4.85	3.21	27.62	453.55	452.82	450.80	459.23	483.98
70	Miscellaneous (12)	173.11	–0.1	17.41	6.09	7.82	173.27	172.80	174.53	175.09	165.32
71	Investment Trusts (110)	304.92	+0.4	—	5.68	—	303.80	301.01	305.86	308.72	270.31
81	Mining Finance (4)	243.39	+0.8	14.17	5.84	8.49	241.28	240.79	239.84	242.70	230.34
91	Overseas Traders (17)	407.59	+0.1	12.93	7.01	9.44	407.02	405.11	409.12	408.94	422.48
99	ALL-SHARE INDEX (750)	303.79	+0.7	—	5.97	—	305.66	306.11	309.58	312.59	291.25

FIXED INTEREST

	PRICE INDICES	Wed Dec 16	Day's change %	Tues Dec 15	xd adj. today	xd adj. 1981 to date
	British Government					
1	5 years	105.11	+0.27	104.82	—	10.97
2	5-15 years	99.56	+0.61	99.55	0.60	13.00
3	Over 15 years	100.85	+0.66	101.70	1.52	14.59
4	Irredeemables	111.26	+0.46	110.75	—	13.73
5	All Stocks	101.52	+0.52	101.70	0.72	12.79
6	Debentures & Loans	79.35	+0.05	79.31	—	10.92
7	Preference	60.70	—	60.70	—	6.82

	AVERAGE GROSS REDEMPTION YIELDS		Wed Dec 16	Tues Dec 15	Year ago (approx.)
	British Government				
1	Low	5 years	13.42	13.55	12.20
2	Coupons	15 years	13.92	14.01	12.19
3		25 years	13.93	14.03	12.19
4	Medium	5 years	16.01	16.09	13.88
5	Coupons	15 years	15.86	15.96	14.06
6		25 years	15.22	15.35	13.67
7	High	5 years	15.80	15.95	13.82
8	Coupons	15 years	16.05	16.15	14.25
9		25 years	15.48	15.59	13.92
10	Irredeemables †		13.29	13.34	11.78
11	Debs & Loans	5 years	16.52	16.68	14.72
12		15 years	16.43	16.45	14.57
13		25 years	16.33	16.31	14.48
14	Preference †		16.40	16.40	14.65

† Flat yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 26½p.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

L & C Unit Trust Management Ltd.,
The Stock Exchange, London EC2N 1HA 588 2800

L&C Inc. Fund	162.2	167.3	----	8.72
L&C Intl & Gen Fd	134.8	139.0	----	1.59

Legal & General (Unit Tst., Mngrs.) Ltd.
5 Rayleigh Rd., Brentwood 0277 217238

Equity Dis.	92.7	99.6	+0.9	4.58
Equity Acc.	129.1	139.6	+1.2	4.58
Gilt	112.2	118.1	+1.3	8.13

Leonine Administration Ltd.
2, St. Mary Axe, EC3A 8BP. 01-623 6114.

Leo Distribution	129.0	136.8	-0.1	0.42
Leo Accum.	152.6	161.9	-0.2	0.42

Lloyds Bk. Unit Tst. Mngrs. Ltd. (a)
Registrar's Dept., Goring-by-Sea, Worthing, West Sussex. 01-623 1288

Balanced	73.2	78.7	+0.7	4.84
Do. (Accum.)	114.8	123.4	+1.0	4.86
Energy Int.	46.8	50.3	-0.4	1.76
Do. (Accum.)	47.6	51.1	-0.4	1.76
Extra Income	58.7	63.1	-0.1	9.54
Do. (Accum.)	83.6	89.8	-0.1	9.54
Income	94.8	101.9	-0.7	7.30
Do. (Accum.)	156.1	167.8	+1.0	7.30
Int. Technology	79.1	85.0	-0.2	0.44
Do. (Accum.)	80.5	86.5	-0.2	0.44
N. American & Gen.	50.7	54.5	-0.6	1.05
Do. (Accum.)	51.8	55.6	-0.6	1.05
Pacific Basin	47.7	51.2	----	1.00
Do. (Accum.)	47.7	51.2	----	1.00
Small Cos. & Recy.	55.7	59.8	+0.2	2.98
Do. (Accum.)	58.4	62.7	+0.2	2.98
Worldwide Gwth.	86.7	93.2	+0.3	2.29
Do. (Accum.)	116.6	125.3	+0.4	2.29

♦Unauthorised. For tax exempt funds only.

Lloyd's Life Unit Tst. Mngrs. Ltd.
2, St. Mary Axe, EC3A 8BP. 01-623 6114

Equity Accum. (2)	269.9	184.1	-1.7	4.21

Local Authorities' Mutual Invest. Tst.*
77, London Wall, EC2N 1DB. 01-588 1815

Royal Tst. Can. Fd. Mgrs. Ltd.
48-50, Cannon St., London EC4M 6LD 01-236 6044

Capital Fund	95.9	103.1	----	4.02
Income Fund	67.5	72.5	----	10.

Prices on Nov. 15. Next dealing day Dec. 31.

Save & Prosper Group
4, Great St. Helens, London EC3P 3EP
68-73 Queen St., Edinburgh EH2 4NX
Dealings to: 01-554 8899 or 031-226 7351

International Funds

Capital	48.1	51.7	-0.1	2.79
I.T.U.	33.9	36.5	-0.1	4.07
Select International	370.0	397.8	-1.2	1.50
Univ. Growth	90.3	97.0	-0.5	0.71

Increasing Income Funds

High-Yield	54.8	58.9	+0.4	8.33
Select Income	57.6	61.9	-0.2	7.05

High Income Funds

Gilt & Fxd. Int. Inc.	44.5	46.9	+0.1	13.30
High Return	63.3	68.0	+0.3	8.87
Income	41.2	44.3	+0.2	10.40

U.K. Funds

Gilt & Fxd. Int. Grth.	49.6	50.2	+0.1	5.15
UK Equity	61.1	65.6	+0.5	4.43

Overseas Funds (z)

Europe	78.2	84.0	-0.4	1.46
Japan	131.1	140.9	+0.2	0.10
S.E. Asia	86.8	93.3	-0.8	0.65
U.S.	119.0	127.9	-1.1	0.74

Sector Funds

Commodity	135.1	145.2	-0.7	3.28
Energy	140.4	150.9	-1.1	1.30
Exploration Fund (z)	39.8	42.7	-0.9	0.25
Financial Secs.	106.2	114.1	-0.8	2.59
New Technology (z)	47.1	50.6	----	0.25

Fixed-Interest Fund (z)

Intl. Bond Fd.	61.6	65.8	+0.3	2.24

Exempt Funds

Exempt Income*	195.4	206.3	----	7.08
Exempt Intl.*	361.4	381.5	----	0.74

Prices at Dec. 9. Next sub. day Dec. 23.

Scotbits Securities Ltd.

[illegible]

INSURANCE PROPERTY BONDS

[illegible]

NOTES

[illegible]

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1981 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
96⅛	91⅞	Treasury 3pc '82‡‡	98⅞	+⅛	3.05	14.47
107	99¼	Treasury 14pc '82‡‡	99⅞	+⅛	14.04	15.03
99	98	Treas. Variable '82‡‡	99	+⅛	15.13	15.78
96	93	Treasury 8¼pc '82	96½xd	+⅛	8.55	15.30
96	93	Exch. 9¼pc 1982	95	+⅛	9.67	15.38
95	92	Exch. 8¾pc 1983	94xd	+⅛	9.27	14.77
92¼	84⅞	Exch. 3pc 1983	90½	+¼	3.31	12.80
99	95	Treasury 12pc 1983‡‡	96¾	+¼	12.45	15.24
99	96¾	Treas. Variable '83‡‡	99½	+⅛	15.16	15.45
94½	90⅛	Treasury 9½pc '83	93½xd	+¼	9.95	14.34
101	95¼	Exch. 13½pc '83	97½	+¼	13.84	15.03
94	89¾	Exch. 10pc 1983	92½	+¼	10.71	14.57
88¾	85½	Funding 5½pc '82-84‡‡	87¼xd	+⅛	6.32	12.59
96¾	90	Exch. 11¼pc 1984	92	+¼	12.12	15.20
103	95⅛	Exchequer 14pc 1984	97½	+⅛	14.35	15.27
82⅜	77	Exch. 3pc 1984	80xd	+¼	3.72	12.22
98	90½	Treasury 12pc 1984	92	+¼	12.99	15.43
107¼	95⅞	Treasury 15pc 1985	97	+¼	15.32	15.79
98	88¼	Exch. 12pc Cnv. '85	90½	+¼	13.29	15.92
76	71	Treasury 3pc 1985	72	+¼	4.11	13.07
96	85¼	Treasury 11½pc 1985	88xd	+¼	13.01	15.98
98	87⅞	Exch. 12¼pc 1985	90	+¼	13.51	15.79
97	84¼	Exch. 11¾pc '86	87	+¼	13.50	16.07
70	65¼	Treasury 3pc 1986	68¾	+¼	4.36	12.59
97	84½	Treasury 12pc '86	88	+¼	13.65	15.84
88	78½	Treasury 8¼pc '84-86‡‡	81xd	+⅛	10.09	14.34
40	36	Exch. 14pc 1986 (£40 pd)	37	+⅛	14.97	15.27

Five to Fifteen Years

Over Fifteen Years

Undated

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

Building Societies

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

CANADIANS—Continued

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

BUILDING INDUSTRY—Contd.

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Continued

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
[illegible]								

INSURANCE

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
[illegible]								

INSURANCE—Continued

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
[illegible]								

LEISURE

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
[illegible]								

MOTORS, AIRCRAFT TRADES

Motors and Cycles

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
[illegible]								

Commercial Vehicles

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
[illegible]								

Components

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
[illegible]								

Garages and Distributors

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
[illegible]								

NEWSPAPERS, PUBLISHERS

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
[illegible]								

PAPER, PRINTING ADVERTISING

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
[illegible]								

PROPERTY

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
[illegible]								

PROPERTY—Continued

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
[illegible]								

SHIPPING

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
[illegible]								

SHOES AND LEATHER

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
[illegible]								

SOUTH AFRICANS

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
[illegible]								

TEXTILES

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
[illegible]								

TOBACCOS

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
[illegible]								

TRUSTS, FINANCE, LAND

Investment Trusts

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
[illegible]							

INVESTMENT TRUSTS—Cont.

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
[illegible]							

Finance, Land, etc.

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
[illegible]								

OIL AND GAS

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
[illegible]								

OIL AND GAS—Continued

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
[illegible]								

OVERSEAS TRADERS

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
[illegible]								

RUBBERS AND SISALS

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
[illegible]							

TEAS

India and Bangladesh

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
[illegible]							

Sri Lanka

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
[illegible]							

MINES

Central Rand

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
[illegible]							

Eastern Rand

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
[illegible]							

Far West Rand

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
[illegible]							

O.F.S.

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
[illegible]							

Finance

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
[illegible]							

Diamond and Platinum

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
[illegible]							

Central African

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
[illegible]							

MINES—Continued

Australian

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
[illegible]							

Tins

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
[illegible]							

Copper

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
410	165	Messina R0.50	330	......	Q60c	♦	10.1

Miscellaneous

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
[illegible]							
25½	12	Burma Mines 10p	15	......	0.75	0.9	7.1
330	85	Colby Res. Corp	122	−8	—	—	—
330	200	Cons. Murch. 10c.	300	......	Q60c	♦	11.5
10	5½	††Explaura Gold	5½	......	—	—	—
98	47	††Hemerdon 10c.	65	......	—	—	—
180	65	Highwood Res.	70	−5	—	—	—
505	260	Northgate C$1	270	......	—	—	—
633	372	R.T.Z.	460	+3	16.0	2.3	5.0
£130½	£93½	Do.9½%CnvLn.'95-2000	£99	......	Q9½%	—	†10.0
103	13	††SPO Minerals 10p	22	......	—	—	—
47	17	Sabina Inds. C$1	18	−1	—	—	—
44	21	✣Southwest C. 10p.	30	......	—	—	—
650	465	Tara Expln. $1	545	......	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- ‡ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ★★ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated [illegible]

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Stock	Price	+ or −
[illegible]		

IRISH

Stock	Price	+ or −
[illegible]		

OPTIONS

3-month Call Rates

Stock	Rate
[illegible]	

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 32

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

FINANCIAL TIMES

Thursday December 17 1981

Boost for Czech gold reserves

BY DAVID MARSH

CZECHOSLOVAKIA looks set to boost its gold reserves by around $250m early in the New Year following resolution of a 30-year-old East-West dispute. It involved a pre-war banking scandal and one of the 20th century's biggest bullion seizures.

The gold—part of Czech bullion holdings which were taken by Germany before the second world war—will be handed back to Prague under the terms of a deal clinched yesterday with Britain and the U.S.

Czechoslovakia will pay Britain and the U.S. around £67m compensation in return for the gold. This is to settle long-standing Western claims dating back to the Communist takeover in 1948.

The gold—18.4 tonnes in bars and coins—has been held in London and New York since the end of the war.

A large part of it is still held in vaults of the Bank of England. It was at the centre of a major political row in 1939 which almost led to the post-war winding up of the Bank for International Settlements, the Basle-based central bankers' bank.

In March 1939, Czech officials in German-occupied Prague were forced to instruct the BIS to move Czech gold at the Bank of England to the account of the German Reichsbank.

When the news leaked two months later, both the Bank and the BIS were accused in Parliament and in the Press of collaborating with the Germans. No-one realised that the gold never moved from London. The Reichsbank left it in the Threadneedle Street vaults—only to have it frozen when war broke out in September.

Agreement

Czechoslovakia, like other Eastern bloc countries, has become increasingly active on the international bullion markets in the past few years. The gold will be transferred to Prague as soon as possible.

Lord Trefgarne, British Under-Secretary for Foreign Affairs, signed a draft agreement in Prague yesterday. He hoped the agreement could be concluded by mid-January.

It provides for Britain to receive £24m covering pre-war loans to Czechoslovakia and expropriation of British property there after the Communists came to power.

The U.S. Congress has just approved a settlement of $81.5m (£43m) to cover post-war seizure of Americans' private property.

Krugerrand sellers face tarnished Christmas prospects. Page 6

Weather

UK TODAY

VERY COLD with occasional rain and snow and freezing fog. Bright intervals later.

London, S.E. and N.W. England, Midlands, N. Wales, S.W. Scotland
Mostly dry, bright or sunny intervals after clearance of freezing fog. Max. 4C (39F).

Channel Islands, S.W. England and S. Wales
Rather cloudy, occasional rain falling as sleet or snow in places. Max. 5C (41F).

N. Ireland, Rest of England and Scotland
Bright periods after slow clearance of freezing fog. Occasional wintry showers near coasts. Max. 3C (37F).

Outlook: Very cold with frost and freezing fog. Snow showers, chiefly in the east.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	15	59	Lisbon	R	15	59
Amsdm.	S	−7	19	Locarno	R	3	37
Athens	F	15	59	London	S	3	37
Barclna.	F	22	72	L. Ang.†	S	12	54
Belfast	C	3	37	Luxmbg.	C	−3	27
Belgrd.	R	5	41	Luxor	S	25	77
Berlin	Fg	−6	18	Madrid	C	14	57
Biarritz	C	13	55	Majorca	F	22	72
Bmghm.	Fg	−5	23	Malaga	S	21	70
Blackp'l	S	−2	28	Mchstr.	S	−1	30
Bordx.	R	11	52	Miami†	S	13	55
Boulgn.	S	0	32	Milan	S	6	43
Bristol	F	1	34	Montrl.†	Sn	−1	30
Brussels	S	−6	21	Moscow	Sn	−3	27
Budpst.	Sn	−2	28	Munich	Sn	−1	30
Cardiff	F	1	34	Naples	F	15	59
Casbca.	C	19	66	Nwcstl.	F	−1	30
Chicg.†	S	−12	10	N. York†	Sn	3	34
Cologne	S	−3	27	Nice	S	18	64
Cpnhgn.	F	−8	18	Oporto	C	15	59
Corfu	R	12	54	Oslo	S	−13	9
Denver†	S	3	37	Paris	C	−1	30
Dublin	C	4	39	Prague	Sn	−6	21
Dbrvnk	R	9	48	Rykjvk.	C	−3	27
Ednbgh.	F	−9	16	Rhodes	F	15	59
Faro	C	18	64	Rome	S	18	64
Florence	F	14	57	Salzb'rg	Sn	0	32
Frankf't	S	−4	25	S'ciscot†	S	9	48
Funchal	C	19	66	Stckhm.	F	−10	14
Geneva	R	6	43	Strasbg.	Sn	−1	30
Gibrltr.	C	18	64	Tangier	R	18	64
Glasg'w	S	−2	28	Tenerife	S	22	72
G'rnsey	R	4	39	Tor'nto†	S	−5	23
H'lsinki	Sn	−11	12	Tunis	S	21	70
Innsbr'k	R	2	35	Valencia	F	20	68
Invrnss	S	−4	25	Venice	F	6	43
Istanbul	F	10	50	Vienna	Sl	—	30
Jersey	R	4	39	Wars'w	Fg	−11	12
L. Plms	S	21	70	Zurich	C	3	37

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.
† Noon GMT temperatures.

Nigeria imposes curbs to cut import bill by £2.3bn

BY QUENTIN PEEL, AFRICA EDITOR

IMPORT restrictions which could delay or discourage about £2.3bn of Nigerian imports annually, including trade worth £300m to Britain, were announced in Lagos yesterday by President Shehu Shagari.

In a tough budget aimed at stemming the decline of Nigerian foreign reserves caused by the past year's slump in oil production, President Shagari said foreign borrowing would increase by 30 per cent more than Naira 2bn (£1.6bn). Foreign exchange curbs would include cuts in travel allowances and consultants' fees.

President Shagari also announced a renewed attempt to curb rampant smuggling which has undermined efforts at controlling the country's import bill.

Budget spending is being cut sharply from the 1981 level of N13.28bn to N10.95bn in 1982. Cuts will have to be made in the Government's ambitious capital spending programme. While current spending remains roughly constant, capital spending is to be reduced N1.5bn to N7.4bn, a real decline of more than 20 per cent.

The most drastic action in the budget presented to the National Assembly is likely to be the inclusion of raw materials and spare parts in the strict pre-shipment inspection system which already affects all manufactured goods. This is likely to delay or discourage 20 per cent of Nigeria's N14.4bn annual import bill.

President Shagari said the reason for the move was widespread abuse of the present system, which exempts both categories from inspection, and therefore provides importers with an additional means of smuggling banned manufactured goods.

It is not known how swiftly the inspection—to be carried out by the Swiss-based Société Générale de Surveillance—can be introduced. A second company is to be hired to help with the task, President Shagari announced.

Further measures to ease the pressure on the balance of payments include a reduction from 30 per cent to 20 per cent in the amount of fees which consultants can claim in foreign exchange. Travel allowances for Nigerians will be cut from N1,000 to N800 for individuals, and N6,000 to N3,000 for business trips.

While tax concessions are to be introduced for companies investing in agriculture, tax collection elsewhere is to be tightened up. President Shagari announced a new 2 per cent turnover tax on companies, to be imposed instead of the present 45 per cent profits tax, depending on which was the higher.

The budget, which has been delayed since October because of a dispute over the division of revenues between the central and state governments, is based on conservative forecasts which should allow President Shagari some room for manoeuvre.

The Nigerian President said that the slump in oil production earlier in the year—from 2m barrels a day in January to a low of 700,000 in August—had reduced the country's reserves to N4.5bn at the end of September.

Post Office set to meet annual target after £12m first half profit

BY JASON CRISP

THE Post Office made a profit of £12m in the first six months to the end of September compared with a loss of £27m in the same period last year. It has not made a profit in its first half since 1978.

The Post Office expects to meet its profit targets for the full year (£49m for posts and £6.9m for National Giro). Last year it turned in just more than half the target figure.

Profits are normally greater in the second half of the year which includes the high volume Christmas period. Furthermore, this year the second half will benefit from the planned rise in charges. First class letters are due to go up by 1½p and second class letters by 1p, to 15½p and 12½p respectively, on February 1.

In the first half Giro increased profits to £5m from £3m. The main turnround, however came in the postal business which made a profit of £7m, including £4m of interest which was boosted by recent high rates, compared with a loss of £30m in the same period last year.

Despite higher profitability, the Post Office warns that the Government enforced reduction in its borrowings may lead to further price rises. Next year its external financing limit (EFL) is being cut and it will have to repay the Government £25m.

The Post Office says it will not be able to complete the mechanisation of the 84 main sorting offices by the target date of 1985. To date 46 offices have been mechanised but the main benefits of this programme will not be felt until the scheme is completed.

Capital expenditure in the current financial year is expected to be £120m. The Post Office would like to increase this during the next three years by about £200m, much of which is likely to be allocated to building repairs.

The first half profits are attributed to a sustained volume of business, higher productivity and cost cutting.

More than 52,000 (44 per cent) of mails staff have joined the Post Office productivity scheme which has sharply reduced overtime.

The Post Office has shown notable resilience in the face of recession. With high fixed costs, mainly labour, it is particularly vulnerable to a fall in business. *Last year, however, the volume of traffic was almost the same as the previous year and in the* first six months this year was only 1 per cent down.

Figures reveal improved output

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

FURTHER EVIDENCE that British industry has made substantial improvements in productivity during recent months was released yesterday by the Department of Employment.

The department's latest estimate shows that the annual rate of increase of wages and salaries per unit of output during the summer was only about 4 per cent, much less than the rate of price or wage inflation.

The Government is pinning much of its hopes for economic recovery on an improvement in productivity, which would boost exports and help to contain domestic inflation.

The underlying annual rate of wage increases is believed to have remained steady at about 11 per cent since August. The provisional index of average earnings for October, published yesterday, was 11.9 per cent higher than a year earlier, but back payments to industrial civil servants and local authority manual workers accounted for about 1 percentage point of the increase.

If they are excluded, the rate of increase of earnings remained just below the annual inflation rate of retail prices, which was 11.7 per cent in October.

However real take home pay is still being squeezed sharply because the annual increase in taxes and prices taken together, which was running at just under 15 per cent during the summer, reached 15.2 per cent in October.

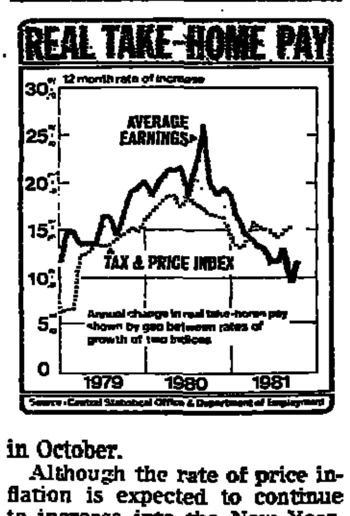
Annual increase in wages and salaries per unit of output in manufacturing industries

Per cent increase on previous year

1980	3rd quarter	25.1
	4th quarter	22.6
1981	1st quarter	15.9
	2nd quarter	8.4
	3rd quarter	4.8
Three months ending		
	July	5.8
	August	4.9
	September	3.9

Source: Department of Employment

REAL TAKE-HOME PAY



Source: Central Statistical Office & Department of Employment

Although the rate of price inflation is expected to continue to increase into the New Year, the underlying rate of earnings increases is generally expected to remain at about 11 per cent until well into the next wage round in the spring.

The increases in average earnings recorded in recent months include extra payments resulting from the stepping up of overtime to an average 10.1m hours per week in August to October compared with the 8.8m average in the previous three months, and a reduction in short time working from 8.5m hours lost per week in January to 2.1m hours lost per week in October.

These improvements are reckoned to have added about a quarter of a percentage point to the annual rate of increase of earnings recently. This is consistent with figures yesterday which showed that the annual growth rate of basic pay is decelerating.

The index of basic weekly pay for November was 6.2 per cent higher than the figure a year ago, compared with an increase of nearly 9 per cent in October and 9.5 per cent in July. However, the November figure did not include the recent national engineering increase which would boost the figure to about 8 per cent.

● Cabinet Ministers are to be urged by the Confederation of British Industry to try to swing public opinion against the 7 to 9 per cent pay rises being offered to public sector employees such as miners, water workers and local government manual workers. The CBI says ministers should do more to control the pay of such groups.

Rates Bill dropped

Continued from Page 1

a local income tax involving the transfer of income details from the Inland Revenue to councils who would then levy and collect their own tax.

A poll tax—on all adult voters—would have to be unacceptably high to replace rates fully and would probably be too expensive and difficult to collect to be worthwhile levying at a reduced or nominal level.

Peter Riddell writes: The Prime Minister remains determined to introduce legislation to replace the present domestic rating system before the next election. But there is no agreement among either Ministers or Tory MPs about the best alternative.

It was clear from Commons questions after yesterday's statement by Mr Heseltine that Tory MPs would like to see proposals as soon as possible.

Mr Heseltine was noncommittal about whether a Bill would be introduced in the next session of Parliament. This will depend on whether agreement can be reached next summer, though the Prime Minister's desire for early action was reflected in Mr Heseltine's comments about a brief consultative period and about the need for urgency.

Mr Heseltine's decision to drop the proposal to use referendums to limit local authority rate increases in face of strong back bench opposition was generally welcomed by MPs, including several of the 20 who abstained on the issue in the Commons debate last month.

● Mr Bryan Rigby, the Confederation of British Industry's deputy director general, said last night that business ratepayers were "seriously worried" by the Government's failure to limit exorbitant rate rises by high-spending local councils.

Commenting on the Green Paper on local government finance, Mr Rigby said: "The decision of the Government to drop proposals to give special protection to business ratepayers in the Local Government Finance Bill is bitterly disappointing." He warned that businessmen would continue to try "to persuade the Government to reintroduce measures to protect business from extravagant councils."

Hanson bid wins support from Berec directors

By Duncan Campbell-Smith

HANSON TRUST, the international holding company headed by Sir James Hanson, has won an important battle in its three-month struggle to take control of Berec, the Ever Ready battery group.

Berec's board last night withdrew its support for a rival offer from Thomas Tilling, and recommended shareholders to accept Hanson's most recent terms.

Berec said it had received assurances from Sir James about the future of the company's management and employees. Sir James had "reaffirmed his belief" in the future of the battery business and "does not intend to make major changes to the Berec group."

Hanson's terms, announced on December 4, offer 150p in cash for every Berec share, with an alternative in the form of convertible loan stock. The cash bid values the whole of Berec at £99m.

Tilling's shares, which are being offered to Berec shareholders on a 1-for-1 basis, closed 7p higher yesterday at 144p, though news of Berec's change of mind came after the end of trading.

Mr F. R. Black, Tilling's finance director, said Tilling and Berec had had "very friendly discussions" prior to yesterday's announcement. But Tilling was "still reserving its position."

Berec's advisers, S. G. Warburg, says that the company might yet recommend an improved bid by Tilling. It felt that both competing bids had now reached "a reasonable level." Any advance would be welcomed—though in comparing the present offers, Hanson's cash bid looked "very attractive."

Yesterday, Hanson bought a further 600,000 Berec shares at 150p, taking its holding up to 21.68 per cent. Its bid closes on December 22. Tilling's bid, extended six days ago, closes on December 31.

U.S. output

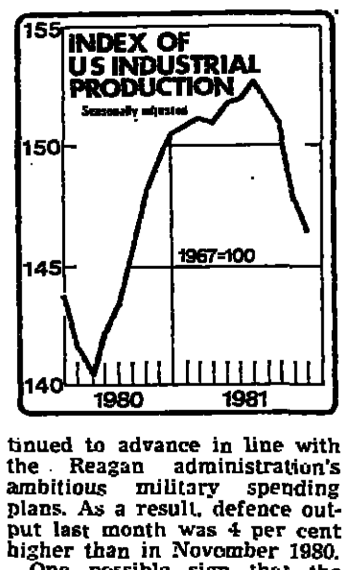
Continued from Page 1

December period at about 3-3.5 per cent on an annual basis.

Leading the decline in industrial output last month was car production, which fell 13 per cent to a level nearly 20 per cent lower than in June.

Output of consumer durables fell 5 per cent last month, chiefly because low activity in the housebuilding sector reduced demand for home appliances.

The only relief in the gloomy picture came in the defence and space equipment sector where output in November continued to advance in line with the Reagan administration's ambitious military spending plans. As a result, defence output last month was 4 per cent higher than in November 1980.



One possible sign that the U.S. recession may be nearing bottom has been the recent expansion in the money supply figures. Even Administration economists predict that the economy will not pull out of its slump until mid-spring.

Meanwhile, the unemployment is considered likely to rise further above the 8.4 per cent recorded last month.

Stocks rose 0.9 per cent in October because of weak sales. This added to the November drop in industrial production, as companies tried to get rid of stocks before placing new orders with factories.

Earlier this week Mr Malcolm Baldrige, the Commerce Secretary, warned that because of the build-up in stocks, "production cuts are likely to carry on into early 1982, with attendant further increases in unemployment until business improves."

Poland

Continued from Page 1

Soviet officials confirmed yesterday that Soviet aircraft flew into Warsaw airport on Tuesday night carrying "supplies" but emphatically denied suggestions they were carrying troops. "This is not like transport aircraft flying into Czechoslovakia in 1968," the officials, quoted by the Associated Press, said.

THE LEX COLUMN

Marley springs a U.S. leak

Marley's preliminary figures contain enough good news from the UK to cushion the impact of sudden trading losses across the Atlantic. Profits for the full year to October are roughly unchanged at £15.1m thanks to an increase in UK profits from £4m to £10.6m in the second half.

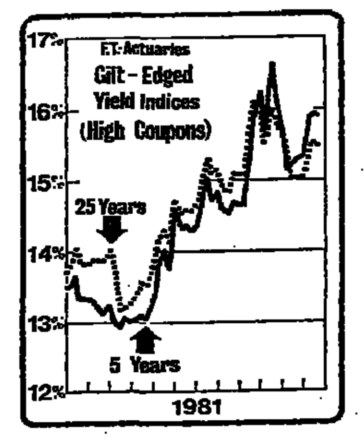
Volume in all the British manufacturing businesses is down by between 12 and 15 per cent over the full year but there was some pick-up during the summer. Marley has rationalised these operations to good effect and has certainly demonstrated the impact of a marginal improvement in demand on the bottom line. But it is probably too early to discount a full-blooded recovery in UK earnings, particularly with the Office of Fair Trading taking such an interest in roof tile prices.

Overseas, South Africa has almost doubled its contribution to about £7m but the associates have done badly and the copy book is really blotted by £3.5m of losses from the U.S. Ingrid subsidiary. The management problems must have developed fast since a new chief executive had been installed within a month of the interim statement, which made no mention of serious losses.

Marley is also losing money on its other U.S. venture largely *because of the weakness of the Californian housing market,* and the group's strategy of diversifying out of mature UK businesses into North America looks altogether unhappy.

But not that Marley can afford to go shopping at the moment. Last year's spending, much of it on the Homecare DIY chain, has pushed net debt (almost all of it at variable rates) to 60 per cent of shareholders' funds. Marley may ride itself over with sale and leasebacks but a rights issue looks a racing certainty once the share price moves out of its current range. At last night's price of 40p, where the yield is 8.3 per cent, the shares are giving nothing away.

Index rose 7.1 to 520.6



Money markets

Yesterday brought a welcome breathing space in the London money markets after Tuesday's £1bn shortage, but more big shortages are clearly on the way. However, the Bank of England has calmed the situation down considerably by supplying ample amounts of liquidity at the rates of interest established last Friday, while sterling has firmed up a little. So base rates of 14½ per cent look safe for the time being.

In some periods the Bank's pegging of its dealing rates has preserved arbitrage gaps between the eligible bill and interbank markets; bill finance is much cheaper for companies than either overdraft or money market borrowing. At least this encourages a good flow of new bills (all drawn against underlying trade transactions, of course) for the authorities to operate on.

The Bank's intervention levels have left the discount houses in the happy position of selling back to the Bank at 14½ per cent bills of similar maturity to those Treasury bills bought at 14½ per cent and above last week's tender. There has been some predictable grumbling about this among the banks, but it has done nothing to ginger up the share prices of the discount houses sector, which slipped again yesterday while other equities and gilt-edged were making headway.

Hanson-Berec

Thomas Tilling shares rose 7p to 144p yesterday, narrowing the gap between Tilling's one-for-one share offer for Berec and the 150p cash bid from Hanson Trust, which closes on December 22. But the strength in the Tilling price seemed to be largely based on anticipation of Tilling's withdrawal from the fight, and last night, although Tilling had not publicly pulled out, the Berec board took the step of recommending Hanson's offer.

Tilling was clearly Berec's idea of a new home, but Hanson has made assurances—rather surprisingly, perhaps, given its earlier attacks on Berec—not to make major changes in the Berec group. To have brought the tight-fisted Hanson back with a higher bid—something like 15 times current year earnings—is quite an achievement by Berec's advisers.

Shareholders in Thom[as] Ward expecting similar from RTZ, whose 190p [bid] reaches its first closin[g] tomorrow, will probably [be dis]appointed. Much the mos[t likely] outcome here is an ex[tension] of the offer, and furthe[r ...] and brinkmanship betwe[en ...] and the investing institu[tions in] January.

Rea Brothers

Inflation adjustments [at] Rea Brothers, like most [bank]ing houses, refuses to p[...] would shed a rather d[ifferent] light on the bank's one-[for-...] rights issue, which ... pitched without any ... against the 90p share pr[ice ...] mittedly in a very earl[y ...] ket).

Ostensibly Rea has a "steady expansion" on th[e lend]ing side and disclosed [profits] and reserves "have fo[...] every year." In fact it re[...] the bank has only j[ust] maintained its balance [sheet] total during the five y[ears to] 1980 and disclosed share[holders'] funds are down by more [than a] fifth over the same peric[d in] inflation-corrected basis.

Most merchant banks [have] a hard job to earn a rea[l return] on their monetary asse[ts and] Rea Brothers earn enc[ugh to] maintain the real valu[e of] free resources, includin[g ...] reserves, and still hav[e some]thing left over to fi[nance a] dividend? Shareholders [are not] told. They should be.

Doxford

It is too soon to say p[...] what went wrong at Doxford, the commodity firm, which has gon[e into] creditors' voluntary liqu[idation]. But yesterday's creditor[s' meet]ing made it distressing that this is another cas[e of] an investment man[ager] concern has mixed [up] clients' money with it[s own] with the result tha[t when the] company falls, investo[rs are] going into the melting[pot].

By now, red lights [should be] flashing in all the [City's] regulatory agencies. The urgent need to give st[atu]tive backing to those which follow best prac[tice] this area, and to make vesting public fully a[ware of] the risks involved in their money elsewhere. [If this] does not happen, some statutory intervention s[eems in]evitable — which would likely to be confined si[mply to] the small fry. The whol[e commodi]ties industry would be [under] attack.

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